



Facing the challenges of global logistics

Sustainability Report 2006

Deutsche Post 



 Postbank

Foreword
page 3

Strategy & Guidelines
page 4



People
page 10



Environment
page 22



Society
page 32



Financials
page 42

Facts & Figures
page 48

	2004 ¹	2005
Financial performance indicators (in € million unless otherwise stated)		
Revenue	43,168	44,594
Profit from operating activities (EBIT)	3,001	3,755
Consolidated net profit ²	1,598	2,235
Dividend per share in €	0.50	0.70
Investments (CapEx)	1,718	1,931
Market capitalization (Dec. 31)	18,840	24,425
Other key figures		
Number of employees (Dec. 31) (Headcount)	379,828	502,545
Female workforce participation (in %)	44.6	43.8 ³
Personnel costs (in € million)	13,840	14,337
CO ₂ emissions (Scope 1 ⁴) (in tons)	4,456,000	4,610,142
Paper use (in tons) ⁵	63,300	90,328
Fleet ⁵		
– Road vehicles	not available	79,236
– Aircraft	not available	427

¹ Restated.
² Consolidated net profit excluding minorities.
³ Does not include Exel.
⁴ Information about the Scopes can be found on page 53.
⁵ Information about our relative proportional use of conventional and recycled paper can be found on page 53.

Divisions of Deutsche Post World Net

Deutsche Post 



MAIL

In Germany we operate a nationwide network with which we transport an average of 70 million letters a day, six days a week. International comparisons highlight the outstanding quality of our services. We delivered over 95 percent of all items handed to us during our daily opening hours or before the last collection to the recipient the next day. Faced with the fact that our market is being liberalized and that competition on the whole is increasing, we have continued to internationalize our mail business. Under the DHL Global Mail brand we are present on four continents as an end-to-end service provider, with direct connections to over 200 countries.





EXPRESS

We carry courier, parcel and express shipments to international destinations by road, rail and air. In order to succeed in our industry, service providers must offer simple products at transparent prices, while being easy to reach for customers. Our network spans the globe and allows us to provide both standard products and tailored solutions to customers in over 220 countries and territories. Our employees know what the market expects and what the DHL brand stands for, namely always being ready for the customer.



LOGISTICS

Our portfolio spans international air and ocean freight, contract logistics and value-added services along the customer's entire value chain. We combine geographical reach with expert knowledge about our target industries. This enables us to help manufacturers and trading companies to manage their complex supply chains across the globe. We are the number one in the inter-continental freight business and, following the acquisition of Exel (UK), we are now the market leader for contract logistics as well.





FINANCIAL SERVICES

Measured by the number of customers and by products, Deutsche Postbank AG is the leading provider of financial services to private customers in Germany. After the acquisition of BHW Holding in January 2006, Postbank now serves 14.5 million customers. They can contact us via all sales channels, where they find a wide spectrum of banking services. In corporate banking, we offer payment transaction and finance solutions, while we also process large volumes of payment transactions for other credit institutions.

Highlights

Global Leadership

Deutsche Post World Net completed the acquisition of UK logistics company Exel in December 2005, thereby becoming the global number one in air freight, ocean freight and contract logistics.

First Choice

We recently launched the "First Choice" program as the next logical step in the strategic development of Deutsche Post World Net. This quality focused program is aimed at making us the first choice for customers, the employer of choice for managers and employees and a first choice investment for shareholders. It will support us in our goal of achieving an EBIT of €5.2 billion by the time it ends in 2009.

Corporate Values

Our global value-based corporate culture creates added value and leads us on the way to becoming stronger than our competitors. Our Code of Conduct, which is based on our seven Corporate Values, is set to be launched in 2006.

Kyoto

Deutsche Post World Net supports the realization of the Kyoto Protocol's emission reduction targets. We do this through improving the efficiency of our logistics network, further embedding responsible practices across our organization, implementing technological solutions and introducing new sustainable products and services for our customers.

UN Partnership

In 2005 we entered into a far-reaching partnership with the United Nations Development Programme (UNDP) and the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) in the area of disaster management. As the first step we have made our new Disaster Response Teams (DRTs) available to the United Nations in the event of a major sudden-onset natural disaster. The partnership also supports the joint development of long-term solutions for disaster-related logistics challenges.

About this report

We are the world's leading logistics company. Such leadership involves serving global industry through our core competencies. It also involves recognizing the impact of our activities on society and the environment. As we continue to expand our services across the globe and to create value for our shareholders, we also strive to increase the benefits we deliver to our employees and the communities in which we operate. We match this effort with a commitment to reducing the environmental costs of our operations.

This is our first sustainability report. We invite you to find out more about where we see ourselves in the context of the different aspects of sustainability, namely those of our people, the environment, society and finance. It describes the steps we are taking to increase the benefits we offer to all those who have a stake in our business. And it serves as an up-to-date basis for dialog with them. We aim to give a full account of all our relevant activities. However, our company's continuing rapid change and expansion has hindered us from achieving this already with this report. Providing this account is one of the permanent challenges of global logistics. It is a part of the long journey toward sustainability on which we have embarked.



“During the last few years we have become the global leader in our industry. This leadership entails great responsibilities toward society, the environment and our employees, as well as with respect to our continued sound financial performance.”

Dr. Klaus Zumwinkel, Chairman of the Board of Management, Deutsche Post World Net

Dear Readers,

During the last few years we have become the global leader in our industry. This leadership entails great responsibilities toward society, the environment and our employees, as well as with respect to our continued sound financial performance. These responsibilities touch all areas of our company and all levels of our organization. Honoring them is one of our principal goals when facing the challenges of global logistics.

Enhancing the way we apply our core competencies to contribute to the good of society has been one of these challenges. Teams of DHL volunteer experts have, for example, used their skills to reduce logistics bottlenecks at airports after major natural disasters. This is how DHL, in close cooperation with humanitarian organizations and other partners from our industry, supported the relief missions following the Indian Ocean tsunami, Hurricane Katrina and the South Asia earthquake. These efforts were complemented by our employees around the world as they provided humanitarian aid to people and communities.

Building on our logistics experience, we entered into a partnership with the United Nations in December 2005 in the field of disaster management. The first tangible result of this partnership is the global network of Disaster Response Teams (DRTs) that we are setting up in cooperation with the UN Office for the Coordination of Humanitarian Affairs (OCHA). These DRTs will help reduce logistics bottlenecks at airports close to regions affected by major sudden-onset natural disasters.

Our biggest environmental challenge relates to our use of fossil fuels and the greenhouse gas emissions these cause. Increasing the fuel-efficiency of our ground and air transports has been and remains also an environmental imperative. By optimizing our networks we have been able to improve our efficiencies significantly, for example by reducing specific mileages in mail delivery by more than 14 percent since 2001 and by improving the use of our air fleet by adding more than 20,000 tons of air freight without adding flights. The cost savings and environmental benefits delivered by these measures highlight the business case for our environmental work in sustainability. For the future we see further business opportunities in meeting the challenges of climate change and voluntarily supporting the aims of the Kyoto Protocol.

We truly are a people's business, and our employees make our company what it is. Attracting effective and motivated employees, retaining them and developing their skills and talents are key conditions for the sustainable success of our company. We therefore view recruitment and personnel development as crucial aspects of our operations. Ensuring that our employees stay healthy and safe is another major challenge we face. We have received a number of awards over the last year in recognition of our continued commitment to our people. Through many activities we are striving to live up to the challenge of being an employer of choice worldwide.

Another challenge is the continued embedding of our Corporate Values across our organization—a process we began in 2005. These values act as an ethical compass and form the cultural basis of our organization. And they help us align the activities of all our employees globally with the expectations of those who have a stake in our business. Our upcoming Code of Conduct will help us live our Corporate Values. With our "First Choice" corporate quality program we are looking to realize our strategic goal of becoming first choice for our customers and employees worldwide and an even more attractive investment for our shareholders.

We are also aware that embracing sustainability in our business strategies means embarking on a long journey with many challenges yet unknown to be mastered. Still, we feel we are on the right path to becoming the fully sustainable corporation we know you want us to be. This report provides an update on our progress and a new basis for our dialog with our stakeholders.

Yours sincerely,




Dr. Klaus Zumwinkel

Chairman of the Board of Management

Strategy and guidelines.

Sustainability at Deutsche Post World Net is an integral aspect of our corporate strategy. It is an essential element of the policies of individual divisions and departments. It is embedded in our Corporate Values and our Code of Conduct. In this section we describe some of the ways we align our activities with the aims of sustainable development.

Deutsche Post World Net is a truly global and multicultural group. We are now one of the world's largest private-sector employers. Our global reach, with operations in over 220 countries and territories, is probably unparalleled. Our Deutsche Post and DHL brands stand for a wide range of mail, express and logistics services, both nationally and internationally. Our Postbank financial services division is the largest single institution in the German retail banking market. And according to our 2004 and 2005 revenue figures, we are the world's largest logistics services provider. Now that we have achieved leadership in our industry in terms of revenue, we want to become a leader also in sustainability.

Our seven Corporate Values  [see box] act as a compass, enabling those who work for us, wherever they are in the world, to make decisions in line with our overall strategy. They help anchor improved work processes in all our operating units. And they help clarify priorities in our day-to-day business.

We plan to complete the initial stage of the rollout of our Corporate Values for all our employees worldwide in 2006. Since their initial publication, they have gained increasing acceptance throughout the company. Our Corporate Values webpage is one of our most visited. And in terms of perception and implementation within the company, our Corporate Values are receiving ever higher ratings. By further communicating and implementing them we want to make acting in conformity with the Values second nature to all our employees across our entire enterprise.

Our corporate culture creates added value and makes us more competitive. It does this by improving the way we work. It fosters a long-term approach to improved performance and thus enables us to better honor our responsibilities to our shareholders.

Our Corporate Values

1. To deliver excellent quality
2. To make our customers successful
3. To foster openness
4. To act according to clear priorities
5. To act in an entrepreneurial way
6. To act with integrity internally and externally
7. To accept social responsibilities

Our Corporate Values


A hallmark of our sustainable business strategy is our commitment to a clear set of Corporate Values. We employ around 500,000 people with many different national, ethnic and religious backgrounds around the world. Our Values provide the basis for coordinated and harmonized activities. They also enable our employees to better identify with the company.

Our Code of Conduct



Based on our sixth and seventh Corporate Value, "to act with integrity internally and externally" and "to accept social responsibilities", we have developed a Code of Conduct. This will be launched in summer 2006 as a binding document applicable to all regions and units. The Code presents clear guidelines and rules that cover a broad range of situations and issues. It reflects our commitment to acting with integrity, responsibly, ethically and lawfully. It applies to everyone who acts on behalf of Deutsche Post World Net or its subsidiaries, including employees, officers and directors.





By focusing on quality and customer satisfaction, our Code of Conduct also echoes the first of our Corporate Values, which is to deliver excellent quality. It thereby highlights the link between corporate responsibility at our company and our “First Choice”  program, which aims at improved customer satisfaction and organic growth.

The rules that make up the Code of Conduct are formulated in a general way and presented as basic principles governing all aspects of what we do. In this sense, they are a codification of our Corporate Values.

Informed by external international codes and guidelines such as the Universal Declaration of Human Rights , the International Labour Organization (ILO) Conventions  and the United Nations Global Compact, our Code of Conduct will form a basis of all corporate policies and regulations at Deutsche Post World Net.

Ensuring compliance

Ensuring compliance with our new Code of Conduct across our entire network is another global challenge. We recently set up a Global Values Office (GVO) at our headquarters in Bonn. This will oversee the worldwide implementation of the Code and will take on the central, coordinating role with regard to managing compliance with the Code globally.

A regional values network has been established to operate under the GVO. This is made up of regional values officers who will serve as points of contact for all Code of Conduct-related matters. They will also coordinate initiatives relating to our Corporate Values and Code of Conduct and will see to it that compliance oversight is instituted in their respective region.

In addition to this, an internal Clearing Committee and an external Integrity Board have been formed to support the work of the GVO. Depending on the nature of the case, the Clearing Committee can consist of representatives from Legal Services, Human Resources or Internal Audit. The role of the Clearing Committee is to provide functional expertise and counseling in cases that are particularly sensitive. The Integrity Board functions as an advisory body for resolving serious matters and for further developing the compliance system. We are also planning to set up a hotline and a web-based system for employees to report any financial and accounting concerns they may have, such as suspected corruption or bribery.

A set of ethical standards supports the Group's sustainability.



Discussions at the Annual General Meeting 2006—an example of good corporate governance.

Corporate governance

As a German stock corporation, we have a dual management and supervisory structure. The members of the Board of Management are appointed by the Supervisory Board and are responsible for the management of the company. Since the start of 2006 the Board of Management has consisted of nine members. There has been a reallocation of duties as part of the acquisition of Exel plc and the establishment of the new Global Business Services division.

The Supervisory Board advises the Board of Management and oversees its management activities. It consists of 20 members. The fact that the majority of the members of the Supervisory Board are independent means that we are in compliance with the German Corporate Governance Code. This is itself based on a recommendation of the European Commission.

Ten shareholder representatives are elected at the AGM, while a further 10 members are elected by employees in accordance with the provisions of the Mitbestimmungsgesetz (German Co-determination Act).

The German Public Companies Act obligates our Board of Management and the Supervisory Board to make an annual declaration regarding the recommendations of the Government Commission's German Corporate Governance Code.

On December 20, 2005, our Board of Management and the Supervisory Board issued an unqualified Declaration of Conformity for the fourth consecutive year. This signals that we are complying with all current recommendations of the German Corporate Governance Code in the version dated June 2, 2005. We are also implementing the suggestions of the Code, with one exception: The Annual General Meeting (AGM) is not broadcast over the Internet in its entirety. Instead, the broadcast continues until the start of the general debate. From the company's perspective, any decision to broadcast the entire AGM over the Internet is contingent upon it becoming legally feasible to cast votes electronically before the votes are counted in the AGM.

Our listed subsidiary, Deutsche Postbank AG, issued its own unqualified Declaration of Conformity on March 18, 2005. Postbank also complies with the suggestions of the Code to a large extent.

A more detailed account of corporate governance at Deutsche Post World Net can be found in our annual reports. These are available online at investors.dpwn.com.


From strategy to implementation

To bring our strategy and guidelines to life, our understanding of sustainability is based on the definition proposed by the Brundtland Commission: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” By taking a slightly more differentiated approach, we identify four areas of responsibility and corresponding action.


> People

With over 500,000 employees, we are truly a people's business. This entails a large responsibility to offer our employees a fair, safe, healthy and supportive working environment. To accept this responsibility we focus primarily on the fields of diversity, health management, idea management, our work with employee representatives, data protection and personnel development. Our activities in these fields have won us awards and top rankings. We will continue with these efforts to remain the employer of choice for our employees.

> Environment

As a global logistics company we heavily rely on fossil resources to power our vehicles, aircraft and facilities. Directly related to their use is our most important environmental impact and responsibility, the emission of greenhouse gases and their contribution to global climate change. Other emissions from vehicles reduce local air quality and cause health problems. Our activities are guided by the Kyoto Protocol . We concentrate on improving the efficiency of our logistics networks, embedding responsible practices across our organization and using state of the art technology. Our most innovative activity involves offering new environmentally friendly products and services for our customers.

> Society

Our operations stretch across more than 220 countries and territories. We are part of the commercial and social lifeblood of their societies. By using our core competencies to support these societies we add value. One area in which we can make and have made a difference is that of disaster preparedness and response and post-disaster reconstruction. With our partnership with the United Nations and the establishment of our Disaster Response Teams  we are now better prepared than ever to help face up to these tasks. Beyond disaster management, we will continue to contribute to the education and development of future generations and to supporting entrepreneurs, especially in the developing world.

Corporate Values as a compass for business behavior worldwide.



> Finance

Our shareholders expect us to ensure our growth and long-term profitability and to maintain and improve our sound financial basis. In the long run this can best be achieved by aligning our financial with our non-financial goals and by embedding sustainable practices in our day-to-day operations. We are finding that increasing the efficiency and cost-effectiveness of our logistics network dovetails with our goal of reducing emissions. And it is becoming ever clearer that sustainability is a key for our seizing opportunities, avoiding risks and accounting for the requirements of those who have a stake in our business.

Leadership in sustainability

Achieving our ambition of becoming a leader in sustainability will involve the rollout of further related programs, projects and activities. To ensure the effectiveness of our current programs and offerings and to provide guidance regarding future directions, we have developed a Sustainability Work Program [see box below]. This helps us face up to the challenge of establishing and protecting our reputation as a good corporate citizen.

Our commitment to sustainability delivers many strategic benefits. Ensuring that our customers and employees approve of how we act as a company, for example, is an important element of the current phase of our corporate strategy. Called “First Choice,” and set to run from 2006 to 2009, this aims at making us the preferred service provider for our customers worldwide. It will add to our long-term success and also aims at making us the employer of choice for our current and future employees.

The process of shaping our approach to sustainability was informed by international frameworks and agreements. These include the eight United Nations Millennium Development Goals and the ten principles of the United Nations Global Compact.

Sustainability Work Program

Cutting across all levels of our corporate strategy is our Sustainability Work Program. This is cross-divisional and has the following goals:

- To suggest ways we can build on our ranking as Germany’s most socially responsible company by a major German business publication in order to attract and retain more employees as their employer of choice
- To devise ways for us to better satisfy the social and environmental expectations of our customers with regard to our mail, express, logistics and financial services
- To help steer the company toward becoming a leader in innovative green products and solutions
- To determine how we can make better use of our core competencies for disaster response and medical logistics and how we can better realize local community investment initiatives
- To keep track of and suggest policies in response to the evolving sustainability-related expectations of the financial community

The Sustainability Work Program identifies and monitors our existing work streams and projects in the area of sustainability and evaluates their individual strengths and weaknesses. It looks at how different departments can be deployed to further accelerate our progress in the different areas and weighs up new ideas for improvement against obvious resource and time limitations. It also looks into possible next steps for our company with regard to our non-financial performance.

Much of our work in improving this performance and further embedding sustainability across our organization is conducted in line with the recommendations of external organizations and guidelines. Identifying these recommendations and seeing to it that they are recognized and taken on board is a further activity with which the Sustainability Work Program is tasked.

Our partnership with UN OCHA and UNDP—a cornerstone of our sustainability work program.



Working with international organizations

Acting with integrity internally and teaming up with global humanitarian organizations externally to improve the quality of life and help societies in which we live and work are key aspects of our sustainability strategy and global values. Our cooperation with UNDP and OCHA in the field of disaster management is the latest in a series of social partnerships into which we have entered. This agreement, forged in December 2005, will, as a first step, see us putting our new Disaster Response Teams (DRTs) at the disposal of these United Nations agencies in the event of sudden-onset major natural disasters. It will also see us implementing measures together in the areas of disaster preparedness and post-disaster reconstruction and rehabilitation. It builds on the experience we gained in responding to the major natural catastrophes of 2004 and 2005. It also builds on DHL's longstanding relationship with the United Nations, as well as on its status, since August 2001, as a signatory to the UN Global Compact.

We are also a strategic partner of the World Economic Forum (WEF) and participate in its Logistics & Transportation Corporate Citizenship Initiative. This initiative, launched in 2003, invites all companies in the logistics and transportation sector to work together to address issues of common concern and to advance our work in the area of corporate responsibility. Furthermore, at the WEF's Annual Meeting in Davos, Switzerland, in 2006, new initiatives were launched to address emissions from logistics and transportation activities and to expand the logistics industry's capacity to support humanitarian relief programs.

Further examples of our cooperative endeavors around the world include our work and longstanding partnership with AIESEC, the world's largest student organization. They also include our many partnerships at the national level with the community of Red Cross and Red Crescent Societies.



Do excellent players make
a good team?



Susan Njoroge, Marketing Services Manager,
DHL Emerging Markets Regional Office, Brussels



“I work in marketing and communications in DHL’s emerging markets regional office in Brussels. Our office employs people of over 35 different nationalities and deals with over 90 countries spread across Africa, the Middle East, Eastern Europe and the Commonwealth of Independent States, as well as Turkey and Israel. Even by the standards of modern international business, our office really is a cultural melting pot!

“Cultural, social, political, economic and technological diversity are an ever-evolving challenge. In my role I get to experience the influence of this diversity in everything I do. Flexibility and local adaptation are essential when working with our teams for our customers. We are always facing up to the challenge of finding solutions that are captivating, clear in message, relevant and adaptable.

“There are so many rewarding things about working in such an international and diverse organization. One is that when you seek input and feedback you get so many different perspectives. You really do get what you ask for! Ideas are spun 360 degrees by colleagues with so many different cultural backgrounds and so much expert knowledge.

“Yet at the end of the day, being diverse isn’t something new to DHL. It’s the way we have always been. It’s our way of life. So when it comes to working together, we understand how to be open to other cultures. We share our feedback and expertise with each other based on this understanding.

“I moved from Kenya and joined DHL a few years ago. I’ll always remember one colleague saying to me that if anything ever happens to me, wherever I am in the world, I should call the local DHL office and they’ll help me out. The day I joined I became part of a mutually supportive network of colleagues based in over 220 countries and territories.”

Brussels



Responsibility toward our employees.

As a logistics company with global operations, we are one of the world's major employers. We therefore have a very large responsibility when it comes to the people who work for us. In this section we outline some of the programs, initiatives and systems we use to ensure that we offer our employees a fair, safe, healthy and supportive environment.

We take very seriously our duties toward the women and men who work in our organization. It is one of our global challenges to create a sound working environment for all our employees. This involves respecting and promoting their rights and listening to and acting on their concerns. It also means we need to build them a modern health management system, work constructively with their representatives and offer them comprehensive opportunities for career development.

The following sections describe examples of the various ways we attempt to provide a supportive environment for our employees.

Diversity

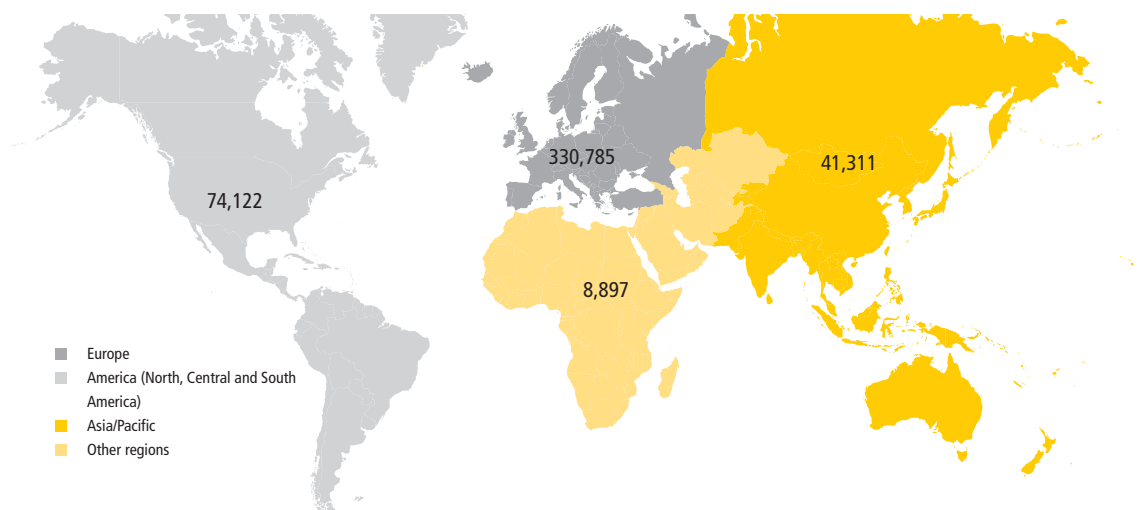
With around 500,000 employees in over 220 countries and territories, Deutsche Post World Net is one of the world's largest employers. Integrating our vast workforce is among our biggest challenges. Respecting and supporting the differences within it is also a major challenge we face.

We promote the heterogeneity of our workforce to bring about the high levels of productivity, creativity and efficiency our global operations require. As a consequence, we do not tolerate any form of discrimination against any of our employees. We evaluate individual employees purely in terms of their skills, performance and ethical conduct.

A dedicated department within personnel development is responsible for blending the many talents of our diverse employees into a winning formula. It does so by supporting the attraction and retention of people from a wide talent base and by creating an inclusive culture that enables all employees to contribute their very best.

More specifically, we focus on four separate aspects of the issue of diversity, these being gender, disability, age and nationality.

Employees per region (DPWN)







The launch of the second mentoring program in 2005.

> Gender

Ensuring equal opportunities for all female and male employees within all the nations and territories in which we operate is a major aspect of our diversity management strategy. For example, we launched a mentoring program for female employees in 2002. This helps ensure they have the same chances of success in their careers as their male peers.

The first mentoring program  ended in 2004 and a second program was launched in September 2005. The program involves workshops for fixing goals, meetings to establish the network structures for the mentoring pairs and feedback and quarterly reflection on how individual participants are faring. Twelve mentor-mentee pairs are taking part in the program currently underway. We are in the process of implementing this successful tool across the entire Group in cooperation with the regional management within the different nations.

Through our work-life-balance program we also support women returning to the workplace after taking maternity leave . In 2004 Deutsche Post also set up a family service to offer support to employees. This initiative that we launched with pme Familienservice in Germany helps parents employed at our company find the best childcare solutions.

In the area of equality of opportunity we have twice received the German TOTAL E-QUALITY award for our personnel policy. TOTAL E-QUALITY Deutschland e.V., a human resources management association, aims at anchoring sustainable equal opportunities across German business, science, politics and administration. The decisive criterion for the award is that the organization be able to strike a successful balance between its financial interests and the interests of its employees.

> Disability

Ensuring that people with all levels of disability can take part in professional life on equal terms is something we take very seriously. Our initiatives are aimed at removing career development obstacles for our disabled employees.

Beyond fulfilling all the stipulations of the World Health Organization's International Classification of Functioning, Disability and Health (ICF) and of German social law, we have voluntarily signed an agreement with our works council on the integration of disabled employees. We have developed a document for this purpose that details best practices and discusses possible working environments.

In January 2006 we published the first issue of a monthly audio magazine for our blind and partially-sighted employees. This magazine contains information about the company as well as content created to meet the specific needs and interests of its listeners.

Our diversity programs

1. Gender and work-life-balance

Promotes equal opportunities and support for our female and male employees.

2. Age

Combats ageism and addresses the needs of our older employees.

3. Disability

Works toward removing career development obstacles for our disabled colleagues.

4. Nationality/Ethnicity/Religion

Helps integrate employees of different nationalities, cultures and religions.

> Age

With average ages in so many countries around the world increasing, our “Age Diversity” project was developed to address the issues raised by the aging societies in which we operate. With our personnel development and retention programs we strive to help our older employees as they continue to play an active, professional role. Older employees have specific strengths, such as extensive professional experience and operational know-how. These strengths are invaluable alongside our younger employees’ up-to-date knowledge and future potential.

> Nationality

As a part of the global economy, we understand that almost every employee needs some cross-cultural competencies for dealing with clients, colleagues and suppliers from different cultures, ethnic backgrounds and religions. In the context of our nationality and ethnicity initiative we are implementing programs to sensitize our workforce to diverse cultures. These include training courses for managers and apprentices in intercultural issues. We are also in the process of creating specific employee networks. These enhance our ability to provide career development and support opportunities for the members of the many national and cultural groups within our company. They also provide valuable feedback on our company programs and policies.

Another way we promote understanding of the different cultures in which we work is through the youth exchange program (YEP) offered to the children of our employees. YEP consists of two modules: “Summer Weeks” and “Education Year.”



Health management

Ensuring that our employees stay healthy and safe is a major challenge we face as a global logistics company. Defining health along the lines laid out in the Ottawa Charter for Health Promotion [\[6\]](#), we see health management at our company as operating at three separate levels: strategic health protection, health promotion and occupational health and safety.

> Strategic health protection

On the strategic level we see health management as a systematic approach to optimizing our organization and processes. We believe that good health is a valuable resource that enables employees to work most innovatively and creatively and thereby to create the most value. Supporting the physical and mental health of our employees is therefore anchored in our Code of Conduct.

Our global activities in the area of health have been bundled under the umbrella of our corporate health management, thus providing guidance in the sense of a “safety fence” function. We are able to react to situations and manage potential health crises much more quickly and effectively than before.

An established reporting and analysis system of performance indicators relating to aspects of health management at our company is a key tool that helps us optimize our health planning. The data enable us to evaluate the health measures and to control and optimize our investments with a view to better assessing future health risks.

“Good Company” Ranking

In January 2005 Deutsche Post World Net was ranked as Germany’s most socially aware company in the “Good Company” ranking carried out by the leading German business publication *manager magazin*. We also took third place in the overall, pan-European evaluation. *manager magazin* evaluated 80 European companies, including all German DAX 30 companies, according to such criteria as staff support, social commitment, environmental protection, financial performance and transparency.

This independent ranking confirmed to us that our value-oriented corporate policy, in which responsibility for our staff, society and the environment plays an extremely important role, is leading us along the right path. It underscores the success of our Sustainability Work Program and validates our commitment to our responsibilities.



Together with the Susan G. Komen Breast Cancer Foundation we could gain prominent German athletes to support our joint campaign against breast cancer.

Early in 2006 we put into operation a Pandemic Preparedness Plan (PPP) to prepare the company for a possible influenza pandemic. This saw us setting up a crisis reaction center and regional and local crisis centers to coordinate all our prepandemic and pandemic-related activities.

> Health promotion

At the level of health promotion we combine measures originating with the company management with employee initiatives and partnerships with specialist external parties to promote the health of the people who work for us. The aims of this are to raise awareness among employees and to get them interested and engaged, to increase companywide competencies to deal with health issues and continually to optimize our organization.

Within the framework of our “Toolbox Health Promotion” initiative and with the active involvement of our employees we implement around 5,000 health promotion measures a year in Germany alone. The issues we cover include those relating to ergonomics, bodily movement, nutrition and dealing with stress.

We also launch major health initiatives both nationally within Germany and globally. An example of this is the initiative we launched in October 2004 with the assistance of the Susan G. Komen Breast Cancer Foundation across our organization. This initiative to raise breast cancer awareness involved sending self-examination instructions to 250,000 current and former employees and publishing them in our internal media. Our engage-

ment here saw us rewarded with the Komen Community Service Award as the first non-American organization to receive it. DHL in Sweden teamed up with the charity Cancerfonden in 2004 to launch a similar initiative.

We also partnered with our health insurance fund Deutsche BKK and others in 2005 in an employee-screening program for cardiovascular problems. And we are a member of various health-related networks, such as the Global Business Coalition on HIV/AIDS.

Another example of health promotion at Deutsche Post World Net is the “Let’s Go Healthy” campaign we run in Asia Pacific. This raises awareness about ergonomics and nutrition among our employees.

> Occupational health and safety

At the third level of our health management activities is our ISO 9001 certified occupational health and safety organization. The backbone of this consists of the 50 doctors and more than 170 occupational safety specialists we employ in Germany.

Our doctors work as consultants on all general health issues. They also carry out medical examinations and initiate preventative health measures. One of our latest initiatives, for example, is our Executive Health Program.

Our occupational safety specialists act as advisers on all aspects of occupational safety across our organization, monitor our fire-safety programs and precautions and oversee our activities involving dangerous materials and

Our annual "Club of Thinkers" meeting. In 2005 our 330 Germany-based employees with the highest scores and most creative ideas met in Magdeburg, Germany. Employees and executives from Argentina, Belgium, Norway and other countries also attended the meeting.



their transportation. A main focus of our occupational safety specialists is to inform all our employees about the day-to-day prevention of accidents and injuries [5].

Beyond their more specific areas of responsibility, they are also tasked with helping bring about and maintaining a general culture of safety [5] at our company based on the latest scientific and technological advances.

In addition, Deutsche Post AG offers qualified support to its employees in cases of personal crisis related to their professional or private life. The services offered range from immediate support in the case of sudden illness or an accident to acting as a mediator to secure assistance for our employees from specialist partners.

Our safety and health standards call for the active engagement of all our employees, from our top managers down to our newest recruits.

> Award winning

In September 2005 we came first in the ranking of health management [5] at Germany's 100 largest employers compiled by *Capital*, a leading German business magazine. In fact, Deutsche Post World Net either came first or was in the top few companies in all the areas assessed by the magazine: the scope of health services offered to employees, the communication of health issues, health-management controlling and the embeddedness of health management within the organization. This success, alongside other successes, such as our being ranked as

Europe's most socially-aware company by another leading business publication [see box on page 14], confirms for us that we are getting our health management and other employee-directed strategies right.

An open climate for ideas and opinions

We seek to offer our employees many types of support. But with our idea management system we also actively seek out their ideas for improving our corporate culture and increasing the value we deliver. This system [5] enables employees to submit ideas that, if accepted, are implemented by the company. We believe that by creating the sort of open climate in which expressing thoughts is encouraged and good suggestions are acted upon we not only take advantage of more cost-saving and value-adding ideas, but also greatly motivate our employees. In 2005, for example, ideas generated by employees at Deutsche Post AG in Germany delivered around €86 million in financial benefits for the company. With such a diverse global workforce, we feel we can benefit more than most companies since we can hear ideas generated within so many different cultures and from so many different angles.

> Employee surveys

At Deutsche Post World Net we pride ourselves on the quality of our people. We are committed to inspiring our employees to be fully engaged in their day-to-day work.

In 2005 we conducted employee surveys in several business units and regions. The results of the questionnaires are a solid foundation upon which we can make further improvements. After the positive experience we had with last year's survey in Europe, we will be conducting our first worldwide Group employee opinion survey in 2006, called "Every ONE Counts." This kicked off in the United States at the end of April and will run its course by the end of September, having surveyed the majority of the Deutsche Post World Net workforce.




A corporate logo supports the survey.

This survey will help us identify what we do well but also areas in which further progress is needed. The results will be analyzed at the local, country, regional and global level and will form the platform upon which we will develop and implement improvement measures. By improving the quality and engagement of Deutsche Post World Net employees still further, we will also be helping to ensure our business' continued and increasing future success.

Working with employee representatives

With such a large workforce, it is also very important for us to see to it that the emerging generation of employees is furnished with the right skills. As part of an apprenticeship pact we signed with the ver.di trade union, Deutsche Post announced in 2005 that it will take on 2,300 apprentices a year in Germany over the next three years. It guaranteed that it will give employment contracts to 30 percent of the apprentices who complete their apprenticeship between 2007 and 2009. And it will offer the top 5 percent of apprentices in terms of performance a place on an advanced training program.

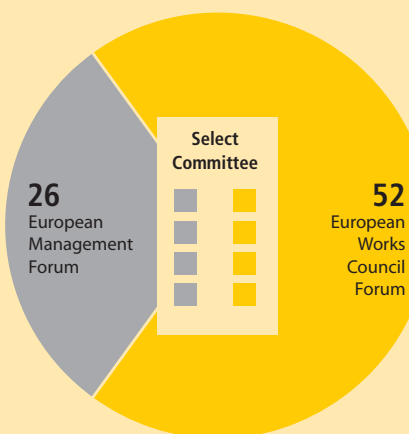
Another recent example of our successful cooperation with employee representatives  in Germany are the collective wage agreements we concluded with the union ver.di in 2005. The first of these was in May for the employees of the new DHL air hub in Leipzig/Halle, which will begin operations in 2008. This agreement has cleared the way for the 3,500 new jobs we will be creating at the airport by 2012.

> Deutsche Post World Net Forum

Working with employee representatives can also take on an international character. Constituted in December 2003, the Deutsche Post World Net Forum (DPWN Forum) has information and consultation rights on specific cross-border European issues. It is a joint body consisting of employee representatives (the European Works Council Forum) and management representatives (the European Management Forum).

In June and November 2005 the Forum met for a series of sessions involving 52 employee representatives and 26 management representatives. Between these meetings, the Select Committee, which consists of four employee and four management representatives, was informed about and consulted on several cross-border issues.

Deutsche Post World Net Forum




On account of the DPWN Forum's effective cooperation with the Group's Central Management, it was possible to bring employees' interests to the attention of the management and have them considered alongside the company's interests during the planning and execution of European projects. This successful cooperation between the Group management and the Forum helps us honor our international responsibilities toward our employees.

Participants in
the MBA internship
program.



> European Social Dialogue Committee Post

Deutsche Post World Net is represented in the European Social Dialogue Committee Post , a joint body established by the European Commission made up of European Union postal operators and postal trade unions. This looks at social issues relevant to the postal sector and promotes cooperation between the operators and unions.

Data protection

Ensuring that personal data is always handled correctly is a great challenge for a company of our size with our number of employees operating across so many companies and territories. To ensure that those who work for, conduct business with or invest in us can have faith that we uphold high standards regarding the protection of their personal data we recently developed the first draft of our future Privacy Policy. This policy covers our basic principles regarding the collection, processing and use of personal information relating to employees, customers and shareholders.

The policy is designed to define data protection standards. Considering the extent of our international operations, it concentrates in particular on the cross-border transfer of personal data. It encourages individuals within our company to take personal responsibility for ensuring they act in conformity with legal data-protection requirements. This helps ensure that we handle data responsibly as a company. Compliance with this policy will be supported by the introduction of data protection management networks.

In preparation for the implementation of the Privacy Policy, we launched our Data Protection Network Europe  in 2005. This has been established to support knowledge transfer between all Deutsche Post World Net companies in Europe on data-protection issues. In November 2005, as part of the launch of this network, we held our first groupwide data-protection conference to raise awareness of the issues and help us embed our evolving data protection management system more firmly across our organization.

Personnel development

Attracting effective and motivated employees, retaining them and investing in and developing their skills and talents are further key elements of guaranteeing the sustainable success of our company. We therefore view recruitment and personnel development at our company as overlapping substantially with our corporate sustainability initiatives. For example, the initiatives we launch to benefit our present employees also help guarantee our continued success by creating the type of organization that school leavers and graduates will be proud to join both now and in the future.

The DHL Logistics Management University provides the platform for generating world-class logistics and supply chain specialists for the DHL network in Asia Pacific.



> Internships

It is very important for us as a global logistics company to appeal to highly qualified potential candidates. We therefore need to make ourselves known to them in all the regions in which we operate.

There are several ways in which we do this. For example, we have for a long time been offering MBA students at top management institutes around the world, such as Wharton, Harvard, Yale and the London Business School, the opportunity to work alongside us in a three-month summer internship to gain business experience. Since 2004, students at the elite Indian Institute of Management in Bangalore and Ahmedabad and the Chinese-German School of Postgraduate Studies in Shanghai have also been able to offer their students the opportunity to gain this experience with us.

> Our university in Shanghai

Beyond offering these opportunities to MBA students in Asia Pacific, in September 2005 we inaugurated our own DHL Logistics Management University (LMU) in Shanghai, China. As the latest addition to the range of training institutes we run or support, the LMU complements DHL's Asia Pacific Learning Center, based in Singapore. This is tasked with designing and implementing training programs, including e-learning modules for DHL staff in the region.


We established the LMU in line with our commitment to raise the standards and level of professionalism of our employees globally. With it we now offer our employees and selected customers in the region further opportunity to study to become world-class logistics and supply chain specialists. Those completing its management development programs gain credits in modules at the leading business schools with which we have partnerships.

The LMU provides a platform for training specialists for the DHL network in China and Asia Pacific. It also contributes to an educational environment that encourages professionalism, creativity and innovation. We aim to offer 7,500 training positions in the LMU's first year of operations and to train 2,000 employees by the end of 2006. The majority of the students in the inaugural classes will be from China. We have already established partnerships with other Chinese universities, such as Fudan University, to support our activities at the LMU. We are also involved in an initiative with the China Europe International Business School (CEIBS), which has campuses in Shanghai, Beijing and Shenzhen. This will see DHL collaborating with its executive development division to develop a customized Management Development Fast Track program tailored for DHL's high-potential employees in Asia Pacific.

> Working with AIESEC

In another international program designed to reach out to potential recruits from around the world, Deutsche Post World Net has been cooperating for 10 years with AIESEC, the largest international student organization. This sees us offering around 100 students from 35 countries each year the chance to gain work experience within our company. This follows several years of working with AIESEC exclusively in Germany. In this initiative, students are selected to come and work with us on the basis of their leadership experience and evidence of a can-do attitude. The program has proven to be a great success, and for two years in a row now AIESEC has named us its "Partner of the Year". AIESEC also considers us an employer of choice. We have a strong tradition of offering permanent positions to the interns we take on through our AIESEC partnership.

> Attracting applicants

We have major unconditional responsibilities as a global logistics company not only toward our employees but also toward society and the environment. But we are noticing that honoring these responsibilities has a direct benefit when it comes to attracting the brightest and best to come and work for our company . At Germany's biggest job fair in Cologne, for example, we have over the last few years noticed a positive link between the degree of embeddedness sustainability has achieved within our operations and the interest shown by graduates in working for our company. This underscores for us the importance of communicating what we do to potential job applicants and informing them about what it means to work at Deutsche Post World Net. We do this via presentations at international recruiting events and job fairs, through long-term cooperation with leading universities as well as via our career portal at [!\[\]\(9d83b67c094360bb3c4e3b68ca3d779f_img.jpg\) www.dpwn.com/career !\[\]\(7dbe5b492efc9d2ec2df517769c7fbf7_img.jpg\)](http://www.dpwn.com/career), where potential applicants can find out about our company and how to apply to work with us.

> Supporting recruits

We feel we have a responsibility to our new recruits to make sure they start off on the right foot and have set up an induction program for this purpose. This provides them with contacts within the company who can help them and with an information pack they can access through the company intranet. An introductory event called "Step In," launched in 2005, brings newly hired managers into early contact with their peers from across the organization.

For our university graduate recruits we have developed the international GrOW (Graduate Opportunities Worldwide) program. Over 18 months it gives them an inside view of marketing and sales, operations and procurement. This prepares them for positions in the corresponding divisions and departments. Participants in this program get a personal mentor and receive targeted training.

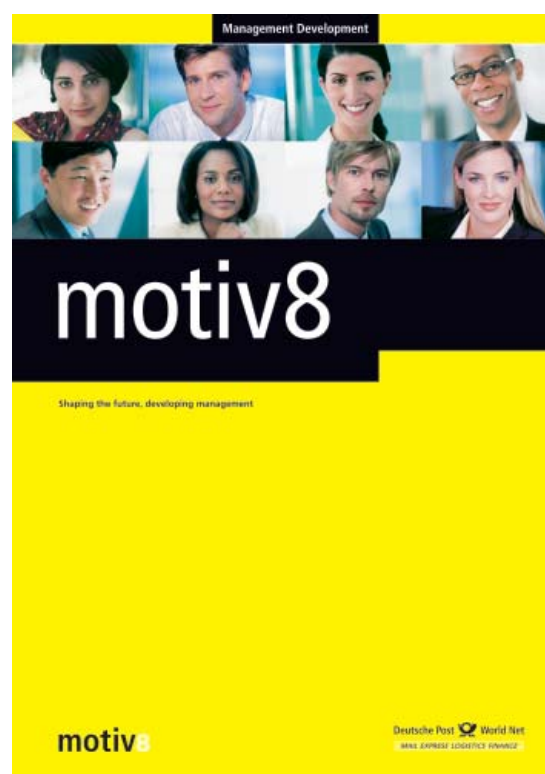
Another program we have introduced to support employee development is our "Competence Management/ Specialized Career Paths" program, which we launched in August 2003. This helps our German employees below the management level acquire competencies that will support their future development. In so doing, it promotes important specialized functions across the organization. This increases the pool of expertise on which the company can draw. A great strength of the program is that it provides a standard benchmark for competency requirements. This contributes to Group integration.

More generally, our employees are always encouraged to share with us their own ambitions regarding their careers. In fact, to be sure that we have enough information to help them, we ask them bring their "Career Aspirations" form to feedback talks they have with their respective managers. This ensures that managers participating in employee development panels have the full picture when discussing the possible future career trajectories of high-potential employees.

> Identifying future leaders

In January 2004 we launched our "motiv8" international performance management system. With this we are better equipped to identify talent early on and to direct the development of both present and future managers. The system helps us ensure they are assigned positions most suitable for their individual skills. This means that they are deployed more effectively than before.

With motiv8, promising employees are given the opportunity to broaden their skills and expertise. It enables them to gain the international experience that will help them and the company in our global logistics operations. It also affords them familiarity with different areas of the company. The motiv8 system thereby makes a special contribution to the global integration of our Group while promoting our performance culture and streamlining the management-succession process.



"Shaping the future, developing managers": the motiv8 brochure.

We promote the personal development of our employees worldwide.



A central component of motiv8 is the performance evaluation employees receive each year. This measures their achievements against the eight competencies we view as central to our managers' performance. The evaluating panel looks at their significant successes and assesses their potential future development. While helping us retain the best and the brightest, motiv8 helps us honor our responsibilities to our employees. It does this by creating a level playing field and supporting those who are looking to broaden their skill set in different functions or to take over a leadership position or more complex role.

> Fit4Procurement

We introduced our "Fit4Procurement" program during the recent reorganization that saw the global launch of our Corporate Procurement department. Its main aim is to prepare the employees of this new department for their future tasks. Standardized internationally across the enterprise, Fit4Procurement contains four segments: analysis of training requirements, a training catalog, assessment of potential and target agreements. As a global company that sources goods and services from around the world, seeing to it that we get our procurement activities right is an essential component of our operating as a sustainable enterprise.

> MBA program

In 2006 we will for the first time be giving financial support to a number of our employees to study for an MBA. We are launching this pilot project, which will see us paying the part-time MBA college fees for 12 managers and in-house specialists, within the framework of our "motiv8" human resources program. With it we will be adding another aspect to the career development oppor-

tunities we offer our employees. The first 12 participants were selected on the basis of their excellent performance and clear potential.

> Apprentices

By training around 5,000 apprentices in Germany, Deutsche Post World Net ensures having employees with the right competencies and qualifications. This training helps us meet our social responsibility toward young people. This is provided by offering a comprehensive training program . Integration into the organization is supported by the extensive "MIDEAL" program , which is also designed to enhance different social competencies using teaching-through-experience seminars with outdoor elements.

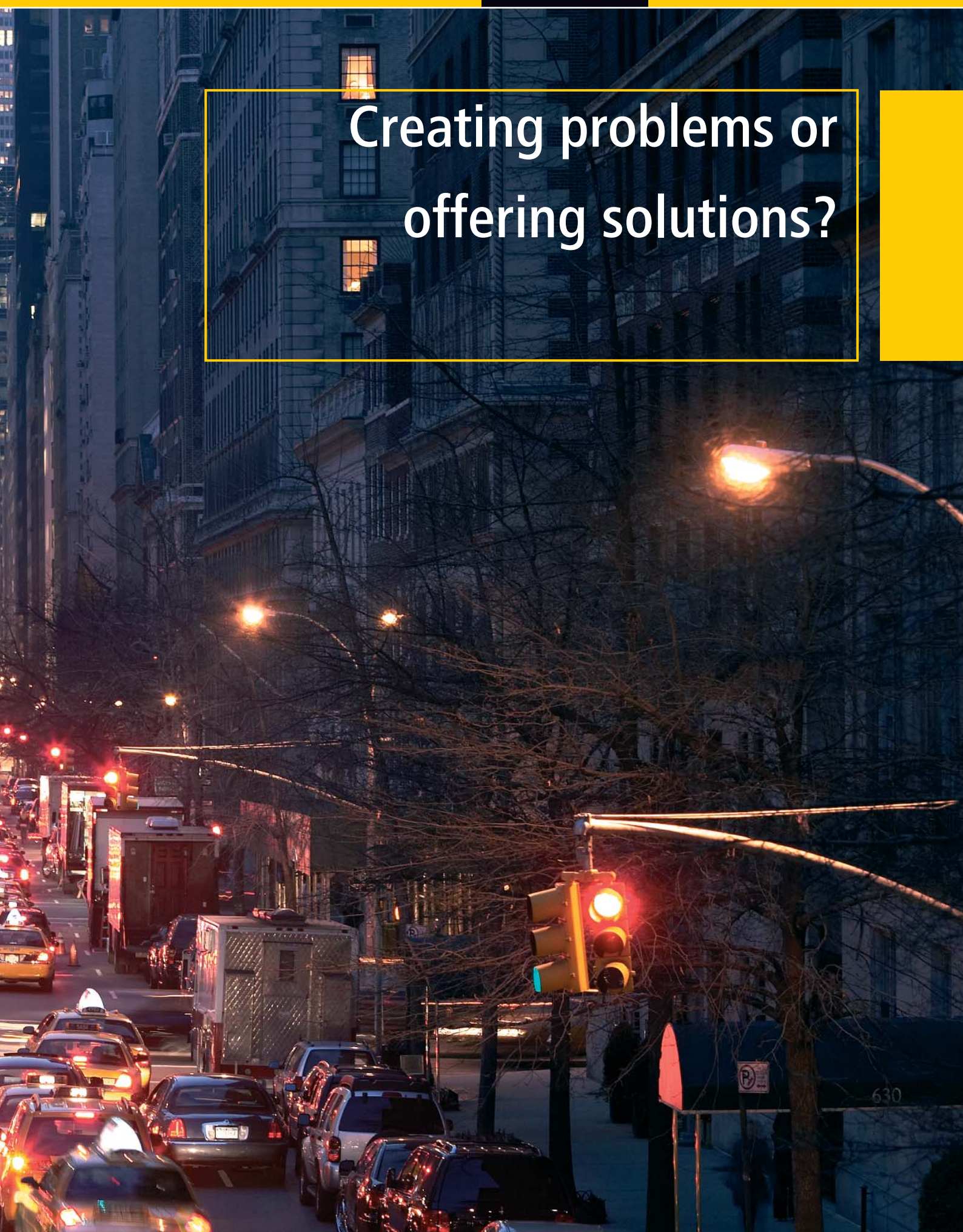
Yet another commitment to social responsibility is stated by the participation of Deutsche Post in the EQJ program  giving 300 youths under the age of 25 the opportunity of an internship at Deutsche Post World Net with the prospect of gaining a place on an apprenticeship plan.

> Civil servants

A new government ordinance in Germany has now made it possible for us to offer civil servants employed at Deutsche Post the opportunity of permanently moving to a higher career track. Around 190 civil servants working in various different career groups successfully applied in 2005 to take this step. As a result they will be participating over the next one to two years in a comprehensive professional training program. This will prepare them for the challenges they will encounter along their new career path.



Creating problems or offering solutions?



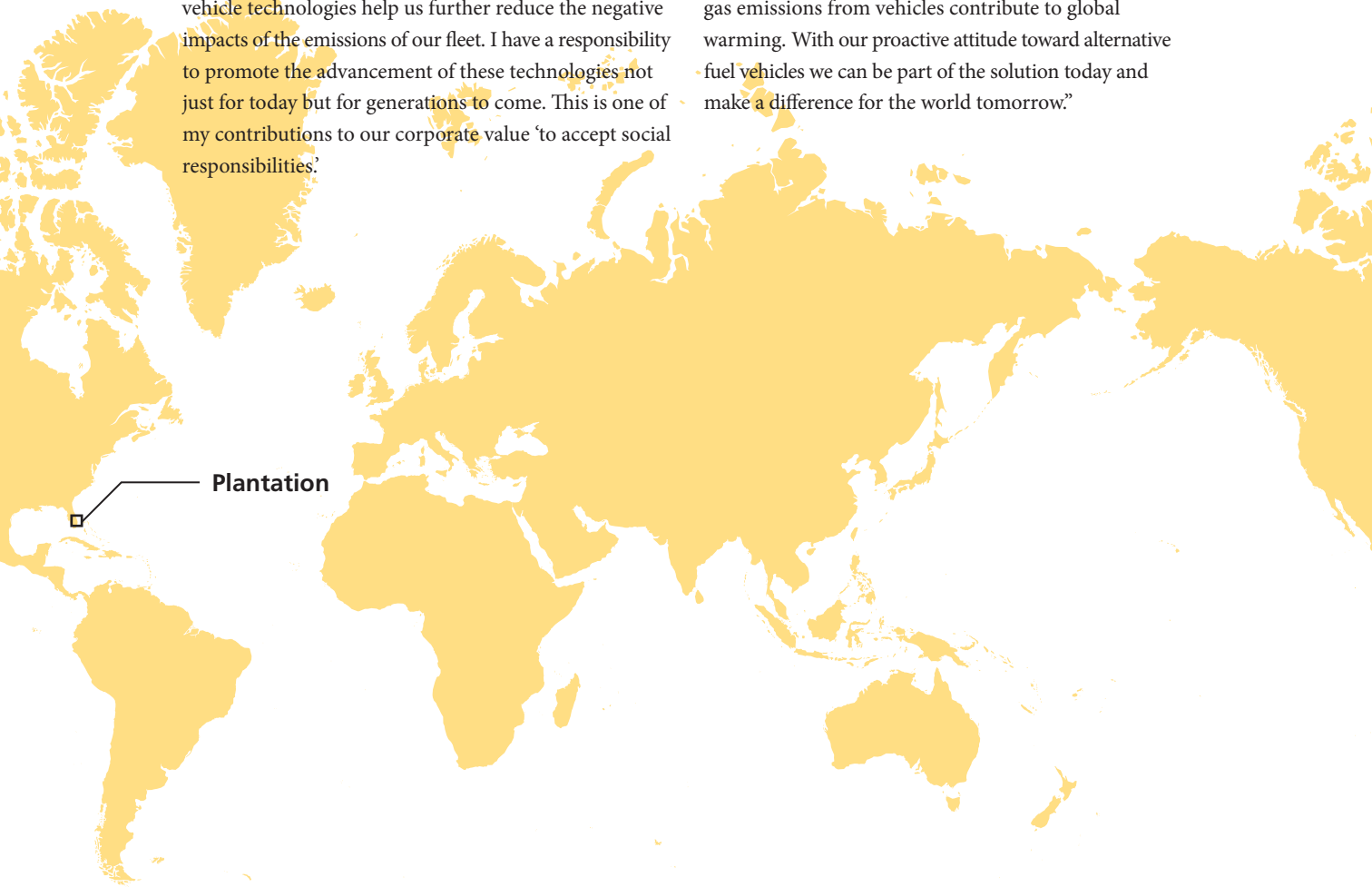
Greg Miller, Director, Fleet Americas,
DHL US Fleet, Plantation, Florida



“Congestion and poor air quality are serious problems in urban areas and big cities. The nature of DHL’s business, with its express and logistics services, contributes to this. Congestion also affects our business since it decreases our service efficiency and quality. However, we are working to minimize our impact.

“Route optimization and improved vehicle configurations increase our transport efficiency and reduce mileage per delivered shipment. This also reduces congestion. Cleaner vehicle technologies help us further reduce the negative impacts of the emissions of our fleet. I have a responsibility to promote the advancement of these technologies not just for today but for generations to come. This is one of my contributions to our corporate value ‘to accept social responsibilities.’

“DHL US is actively testing hybrid vehicles and working with industry partners to introduce this technology. I believe we have today the opportunity to introduce alternative fuel vehicle (AFV) technology in a manner that is both fiscally and socially responsible. Unfortunately, many people still associate green vehicles with expensive, specialized vehicles with limited application. I have a unique opportunity to set new expectations and demonstrate harmony between industry and environment. Fossil fuels are a limited natural resource. Greenhouse gas emissions from vehicles contribute to global warming. With our proactive attitude toward alternative fuel vehicles we can be part of the solution today and make a difference for the world tomorrow.”



Our environmental footprint.

Logistics and transportation are an indispensable part of the infrastructure of global societies and economies, but they have specific impacts on the environment. At Deutsche Post World Net, reducing our environmental footprint is a central focus of our sustainability strategy. It is one of the most important tasks we face as a responsible company.


Our operations rely on an extensive transportation network and a large number of vehicles and aircraft. We therefore feel that our major global impact is in the area of greenhouse gas emissions. They are the cause of the global problem of climate change. This is widely regarded as the world's most demanding challenge, today and in the future. Reducing our use of fossil fuels and lowering these emissions—especially our carbon dioxide emissions—is one of our most important responsibilities toward the environment.

This global impact largely coincides with a more local one. Vehicle and aircraft emissions worsen local air quality. This is therefore another focus area in which we are actively seeking to reduce our impact. We also face the challenge of limiting the amount of noise produced by our aircraft, road vehicles and operations in the communities in which we operate.

By using other resources, such as paper, in a more responsible way we further reduce the impact of our activities. And by offering our customers environmentally friendly mail and logistics solutions we support them in their own efforts to act and consume in a more sustainable way.

Each of our approaches to the global, local and resource-related challenges we face as a global logistics company falls under one of four categories. These are network efficiency, embedding sustainability, technological solutions and green products and services. Being part of the solution to environmental problems in these areas is an essential aspect of our business.

Network efficiency

The area in which environmental responsibility and financial benefit most obviously dovetail is that of improving the efficiency of our transportation network. This dovetailing ensures the long-term viability of becoming more environmentally friendly in our operations. This can be seen, for example, by comparing the environmental policy we published in 2003 with our STAR  cost-savings and process optimization program, launched in the same year and completed at the end of 2005.

Our environmental policy calls for optimized route planning, improved capacity utilization and other efficiency measures, as did the STAR program. But while the former is aimed at reducing the environmental impact of our activities, the STAR program called for these improvements for financial reasons—to help improve the Group's profitability. Between 2002 and 2004, for example, the use of our existing Air Express network was increased by more than 20,000 air freight tons. We achieved this within the context of the STAR program by consolidating transportation volumes across previously separate networks.

Our main environmental challenges

- To reduce our dependence on fossil fuels
- To reduce our greenhouse gas emissions
- To reduce our non-CO₂ emissions
- To reduce the noise emitted by our aircraft, road vehicles and operations
- To reduce our use of other resources, especially paper



DHL Germany's Parcel InterCity service combines speed and reliability with environmental benefits.

Route planning is an effective means of improving the efficiency of ground transportation. The consistent application of IT-supported route planning based on geo-positioning technology for vehicle-based mail delivery is one way of achieving this. Between December 2001 and December 2003 this type of planning enabled us to reduce the average mileage per delivery district in Germany by more than 12 percent, while the number of delivered items was only slightly lower in 2003 than in 2001. We achieved a further reduction of more than 2 percent across the delivery districts between 2003 and March 2006, with the number of delivered items remaining constant 📦.

Examples such as these give an indication of the business case for implementing sustainable solutions.

> FIDEUS

The size of our company and of the network we operate means that we have a significant impact on the environment. But it also means that we have the resources to conduct over-the-horizon research into innovative solutions. Since May 2005, for example, we have participated in the FIDEUS (Freight Innovative Delivery in European Urban Space) project 📦. This is co-funded by the Research Directorate of the European Commission. DHL has teamed up with automobile manufacturers, city

representatives and researchers in this project to develop a more efficient and environmentally friendly system for urban deliveries in Europe. Parallel to this Europe-wide effort, DHL Express Germany introduced compressed natural gas (CNG) delivery vehicles into its fleet in 2005, with more ordered for 2006.

> Using the railway network

One way in which we increase the efficiency of the national transportation network in Germany as a whole is by moving freight off the roads altogether. The volume of freight traffic in Germany is growing steadily. And its road network is reaching the limits of its ability to expand. Against this background, combined transportation concepts involving both road and rail, such as DHL Germany's Parcel InterCity service, deliver speed and reliability as well as an environmental benefit. The original Parcel InterCity service links up major business centers in Germany from north to south between Hamburg and Munich. This was launched in early 2000. In February 2005 we added an additional east-to-west link connecting Berlin with the far west of the country. Parcel InterCity now transports 280,000 tons of goods per year along these two routes, shifting 70 truckloads off the roads and onto the railway system each day. This has clear environmental benefits, as well as social benefits relating to its freeing up of the road network.

Embedding sustainability


Ensuring that our activities and transportation networks become increasingly sustainable does not always involve major new strategies, partnerships or acquisitions. In fact, getting our employees to think and act in an environmentally friendly way may be one of the more effective means we have of embedding sustainability throughout our company. We do this through training them or implementing environmentally friendly purchasing policies.

> Driver training


DHL has been training its drivers in fuel-saving driving techniques since March 2003, beginning with its parcel delivery drivers in Germany. Such driving increases the efficiency of our transportation network, helping us reduce our greenhouse gas emissions. It also leads to greater cost-efficiencies. By the end of 2005 we had trained around 5,000 delivery drivers operating out of DHL Express Germany's depots in safe, attentive and fuel-efficient driving techniques.

In September 2004 DHL launched a new training program for its drivers, called "Economical Driving," designed to reduce fuel consumption. The results have been impressive, with diesel consumption being reduced by around 10 percent after the course, while driving times have barely increased. This not only reduces emissions of carbon dioxide and other pollutants, but also minimizes vehicle wear. This has both environmental and financial benefits. Since September 2004 around 200 DHL Solutions Germany drivers have passed this course.


> Paper

In May 2004 we introduced our Paper Policy . This governs our use of paper and paper-based products. It is binding for our activities in Germany and serves as a guideline for our international activities. At the heart of

this policy is our clear commitment to use paper resources with responsibility and care. For example, our corporate headquarters with its 2,000 employees switched over to using recycled copier and printer paper in December 2004. Other units throughout Germany are now following suit.

At the beginning of 2005 we underlined our commitment to using recycled-paper products by becoming a member the German "Pro Recyclingpapier" initiative . Our choice of almost 100 percent recycled paper for our new German postcode book, 1.6 million copies of which were printed in October 2005, was in line with the aims of this initiative.

Wherever virgin-fiber paper cannot be replaced with recycled paper, we are committed to increasing our use of paper certified as being sourced from sustainably managed forests. As part of this commitment we are working with our suppliers to determine to what extent proof can be obtained that the entire paper supply chain is sustainable. For high quality printed publications we have introduced 100 percent recycled graphic paper as an additional option. For the other virgin-fiber graphic papers we use, our suppliers now have to provide evidence that at least 30 percent of the fiber content was sourced from certified sustainable forestry.


Incidentally, we used paper from sustainable forestry certified by the PEFC (Programme for the Endorsement of Forest Certification schemes) Council  to print the Group's 2004 and 2005 annual reports. And the report you are currently reading is printed on 100 percent post-consumer recycled paper.

ISO 14001

We are introducing environmental management systems developed in accordance with the ISO 14001 industrial standard at all of DHL Express' European facilities. To date approximately 35 percent of all its employees work under ISO 14001 certified processes. The underlying structured and stepwise approach to environmental management will serve as a model for all other parts of DHL and Deutsche Post's operations.

DHL Express UK has already achieved ISO 14001 accreditation at 13 of its UK sites.

DHL's airline in Europe, European Air Transport (EAT), is 100 percent ISO 14001 certified. Its certificate covers EAT's flight operations and maintenance activities.

Many of DHL's airport facilities serving our European and Emerging Market operations are also ISO 14001 certified. These include, for example, the hubs at Amsterdam, Barcelona, Bergamo, Brussels, Cologne, Copenhagen, East Midlands, Madrid, Vitoria and London Heathrow. 

CNG delivery vans—an environmentally friendly option even in Bangladesh.




> Airwaybills

DHL Express will be reducing the amount of paper it uses in its airwaybills in 2006, bringing them down to 3-ply from 4-ply. Asia Pacific will make the change in the third quarter of 2006. Most of DHL Europe is looking to switch over as quickly as possible in 2006. The emerging markets are also looking to switch over soon.

The use of the new airwaybills will lead to a potential annual saving of 207 tons of paper. There will also be additional benefits, such as 300 fewer pallets and 23,000 fewer boxes needed. Fuel consumption relating to the transportation of the bills will also be lower.

> Öko-Tex Standard 100

While we are working with our supply chain on paper issues, there are other examples of our commitment to encouraging and expecting sustainability among our own suppliers. One such example is our decision to specify ecological criteria that accord with Öko-Tex Standard 100  for the recent manufacture of DHL's new uniforms, which we distributed to 110,000 DHL employees around the world in 2005 and 2006. Among other things, this standard helps guarantee that the production processes used are environmentally sound [see box].


> Energy use

Energy use is another area in which we are encouraging economical behavior among our employees. In November 2004, for example, together with its partner Energieagentur NRW, Postbank launched three weeks of action to motivate employees and inform them how to reduce the amount of energy they use at the company's headquarters. Called "E-Fit," this presented the employees with information showing them how to be more sparing in their use of electricity, both at work and at home.

Technological solutions


Modern technologies also help us limit our greenhouse gas emissions. For example, we invest in the types of modern road vehicle and aircraft that support our efforts to reduce our contribution to climate change.

> Biogas


In 2004 and 2005 we continued introducing into our road fleet new vehicles that do not run on fossil fuels. This enabled us to expand our range of low-carbon-emission transportation solutions based on the use of these vehicles. At the end of December 2004 DHL Switzerland, for instance, followed the example DHL has already set in other countries and acquired its first biogas-powered vehicles. These use the renewable fuel Kompogas , which is derived from kitchen and garden waste. Unlike vehicles powered by conventional fuels, these biogas vehicles are carbon-dioxide neutral. They generate savings of around 12 tons of carbon dioxide per vehicle per



Biogas vans in Switzerland offer the combined benefits of renewable fuels and reduced emissions.

year. DHL Switzerland currently operates five biogas courier vans and two natural gas vans and has six more biogas vans on order .

> Natural gas

A greater development in terms of number of vehicles was DHL Express Germany's decision in 2005 to order 170 compressed natural gas (CNG)  vehicles for parcel deliveries. The first 50 of these vans were rolled out that same year in six German cities. The remaining 120 are due to be delivered in 2006. The vehicles were specially designed by the manufacturer, Iveco, to combine extended payload capacity with an environmentally friendly engine. This engine is compliant with the EEV

(Enhanced Environmentally Friendly Vehicle) emission standard, currently the highest such standard in the European Union. Pollutant and carbon dioxide emissions from these CNG vehicles are substantially lower than from standard diesel vehicles, with a reduction of up to 85 percent for particulate matter. They are also a lot quieter compared to standard diesel vehicles.

In future all vehicles acquired by DHL in Germany will be powered by natural gas or have a particulate filter [For more on our adoption of particulate filters for our German road fleet, see box].

> Worldwide trials

Alongside these developments, 2004 and 2005 also saw biogas or compressed natural gas vehicles introduced or tested in France, Austria, the United Kingdom and Bangladesh. Furthermore, DHL Americas carried out trials in the United States in 2004 with one full electric delivery van and one hybrid diesel-electric truck. These introductions and trials will be continued and broadened in 2006 and 2007.

> Air fleet

In terms of our air fleet, DHL is also currently reaping the environmental benefits of its €1.3 billion investment in 34 state-of-the-art Boeing 757 Special Freighter aircraft. This aircraft uses fuel more efficiently and can carry more freight than its predecessor. This translates into significant reductions in carbon dioxide emissions.

Particulate filters

In 2006 and 2007 we will take delivery of around 13,000 new Volkswagen vans for mail and joint delivery fitted with particulate filters in Germany. These filters will be fitted to each vehicle regardless of the subsequent use to which it is put. The very congested urban areas that suffer the worst air quality locally will benefit most from our major roll out of these new vehicles.

Around 5,400 vehicles delivered by Volkswagen in 2005 before this option was available will also be retrofitted with particulate filters. These will join the 100 diesel vehicles with particulate filters of which DHL Express Germany took delivery in 2005. Particulate filters will in future be fitted as standard to all diesel powered vehicles acquired by DHL in Germany.

We are undertaking the measure regardless of the added cost per vehicle. This decision was driven by our understanding of the problems caused by diesel particulate emissions and was made in line with our corporate environmental guidelines. Particulates in diesel engine emissions are believed to cause serious health problems. This large-scale introduction of particulate filters will help improve overall air quality. It will support a healthier environment. And it will reduce transportation sector emissions in general.

All 238 jet aircraft used by DHL as of March 2006 complied with International Civil Aviation Organization (ICAO) Chapter 3 noise requirements. Moreover, 81 met the more demanding Chapter 4 requirements only applicable to aircraft manufactured after January 1, 2006. Hushkits were fitted to 134 of the aircraft.

All but one jet aircraft met the ICAO's CAEP/2 requirements on nitrogen oxide emissions, with 69 satisfying its more demanding CAEP/4 requirements without legally needing to. The CAEP/6 requirements slated for 2008 were already being met by 47 of these aircraft.

> By bicycle and foot

Many of our efforts to reduce our environmental footprint involve emissions-reducing vehicle technologies and state-of-the-art environmental management systems. It is therefore easy to forget that, from its inception, Deutsche Post has always made extensive use of two particularly climate-friendly forms of transportation, with letters still delivered on foot and by bicycle in cities and large conurbations.

> DHL Hub Leipzig

Our new central air hub for Europe in Leipzig, Germany, also demonstrates the Group's commitment to combating climate change and protecting natural resources. The new facilities will host approximately 1,000 m² of photovoltaics. Electric power and heating and cooling energy will be supplied by combined heat and power. Both measures will save more than 5,000 tons of carbon dioxide emissions per year compared with conventional technology. In addition to this, rainwater will be caught and stored to replace the approximately 3,000 m³ of drinking water that will be used for cleaning our aircraft each year.



The hub will be served by a new freight train station, due to become operational in 2008. This will enable us to transport freight by rail to Frankfurt Airport and other destinations.

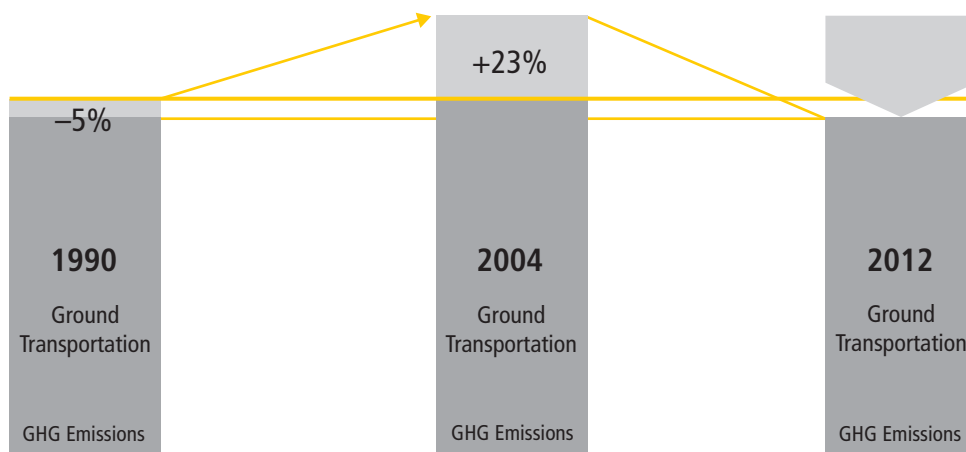
Our most climate-friendly means of transportation: delivery by foot or by bicycle.

> Emission reduction target

In the summer of 2005 Deutsche Post World Net launched a strategic project to explore in more detail its options for lowering emissions and fuel consumption in its European road transportation operations. The project was driven both by our environmental ambitions and by economic considerations.


In this project we systematically screened and evaluated alternative fuels and power train solutions. We did this with regard to the current use of different types of vehicles in our fleet and the availability of fuels and technologies.

Greenhouse gas emission-reduction target of Deutsche Post World Net





The paper for our PLUSBRIEF envelopes is sourced from FSC-certified sustainable forestry.


Since we were looking at our European fleet, this meant including most of the fleet owned by Deutsche Post World Net. It also meant we had to take into account a very diverse spectrum of alternative fuels, local factors regarding fuel availability and specific local transportation requirements. The Kyoto Protocol  was also taken into account.


As a result, a comprehensive work program was established with different calls to action for different types of transportation, vehicles and fuels. Based on this work program and taking account of the many emissions-reducing and -offsetting activities described in this chapter, we are now aiming at reducing greenhouse gas emissions from our road vehicles to 5 percent below our 1990 baseline emissions by 2012. This is in line with the target set by the Kyoto Protocol. This target is an essential element of our Sustainability Work Program. Despite the fact that our mainly diesel-powered vehicles in Europe are already very fuel- and cost-efficient, we still expect this work program to lead to several million euros of cost savings per year.

Sustainable products and services

Alongside reducing the environmental impact of our activities, our Sustainability Work Program also sees us offering our customers a range of environmentally friendly products and services. These are designed to meet the demands of our stakeholders. Their development is informed by our stakeholder dialog processes and is in line with the aims of the Kyoto Protocol. By offering these products and services we feel we further honor our responsibilities by enabling our customers to choose solutions that have a smaller impact on the environment. This supports their own efforts to act and consume in a more sustainable way.

> PLUSBRIEF

The PLUSBRIEF range of envelopes that we sell in post offices in Germany and through Deutsche Post's eFiliale website are an example of one of our sustainable products. While all the paper products we sold through our post offices in 2005 were sourced from sustainably cultivated forests, PLUSBRIEF envelopes are actually certified by the Forest Stewardship Council (FSC)  as coming from sustainable forestry.

Over 80 million PLUSBRIEF items were mailed in its first year of introduction alone. This has given the green light for the development of further environmentally friendly paper products. These will be marketed alongside not only our PLUSBRIEF range but also the recycled mail, copier and printer paper products we sell. Many of these now carry the German Federal Environmental Agency's "Blue Angel"  seal, indicating they are made entirely from recycled paper, or have FSC certification. In 2006 we will be looking to increase to 60 percent the proportion of paper products we sell certified according to recognized standards for sustainable forestry.



> Green Tonnage

Our environmentally friendly product and service offerings by no means end with paper. For example, DHL Sweden saw a strong growth in demand in 2004 and 2005 for its innovative "Gröna Ton" or "Green Tonnage" service.

We ascertained that 70 percent of our customers in Sweden take the environment into consideration when buying transportation services. We also found that a large number are willing to pay a premium for these services. DHL Sweden therefore established "Gröna Ton" in April 2002 to meet this demand. With this service, customers can choose to have an equivalent to their purchased


“Gröna Ton” volumes transported somewhere in our network using renewable fuels. This results in low-emission transportation, for which the customer can take the credit.

> Green Parcel

In the light of the ongoing success of our “Gröna Ton” service, DHL Germany is piloting its “Grüne Paket” or “Green Parcel,” a climate-friendly parcel shipping service. With this service, all carbon dioxide emissions relating to the transportation of each “green parcel,” which looks no different from a standard parcel, are calculated and offset through climate-protection projects around the world that lessen emissions. We developed this service working with the German mail-order company Triaz, the recipient of the 2005 DHL Environmental Award . The CarbonNeutral Company, a British carbon-management consultancy, was responsible for the selection and quality-control of the climate protection projects through its CarbonNeutral services standard .

This cooperative endeavor has so far supported the reforestation of illegally deforested areas in Bhutan and the financing of small solar power generators to serve Sri Lankan communities affected by the Indian Ocean tsunami of December 2004 [see Society chapter for information about our response to the tsunami]. A second pilot was launched together with the German mail-order company Memo in January 2006. We are now planning the commercial roll out of this service.


> PACKSTATION

To meet the changing needs of its customers and keep the financial cost and environmental impact of its operations to a minimum, Deutsche Post World Net is always endeavoring to make its networks ever more efficient. PACKSTATION , a new delivery service, is an example of this.

The PACKSTATION service is built around a network of parcel machines. Registered users arrange to have parcels sent to the machine of their choice. Once a parcel arrives at the machine, the recipient receives an email informing them of this. Each parcel is available for collection for nine days after arrival, with two reminder emails sent automatically during this period if it is not picked up. Users can also send a parcel from any parcel machine in the PACKSTATION network.

PACKSTATION's flexibility means there are fewer wasted journeys, with users able to pick up parcels from their PACKSTATION when they happen to be in the area. This means they can avoid having to make extra journeys to the post office during opening hours. A study recently completed in Cologne, Germany, has shown that in this city alone, PACKSTATION cuts down passenger car traffic by 35,000 kilometers a year. This reduces emissions of carbon dioxide, particulates and other pollutants.

> Dynamik Vision

In the area of financial services, Postbank's “Dynamik Vision”  investment fund offers savers the chance to invest in an environmentally responsible way. It does this by restricting its own investing almost entirely to companies listed in the Dow Jones Sustainability Indexes. These indexes include only companies with sound sustainability policies and practices.

Our network of PACKSTATION parcel machines helps reduce urban car traffic.





Help that really makes a
difference?



Christina Koh-Aurbakken, Vice President, Corporate Affairs,
DHL Asia Pacific Regional Office, Singapore



“The Indian Ocean tsunami of December 2004 and the Pakistan earthquake of October 2005 devastated several hundred thousand lives. Millions more were and still are affected by these disasters. The speed and spontaneity with which many individuals at DHL responded to them is truly commendable.

“It is well known that airport logistics quickly becomes a bottleneck in the immediate aftermath of a disaster. DHL experts and volunteers have a tradition of teaming up with and helping humanitarian organizations deliver aid promptly and efficiently. As a DHL employee, I was proud to see how quickly and professionally our company and its volunteers gave such support.

“The formation of our Disaster Response Teams, the first of which has been launched in Singapore, is a firm commitment by DHL to ensuring we have a pool of volunteers trained and ready to respond immediately to future natural disasters around the globe. My view of disaster management is that it should be holistic—encompassing not just the great relief work that we already do but also disaster mitigation and preparedness and the rehabilitation of affected victims. Then our help will truly make a difference!


“In my role I have focused on ensuring our corporate sustainability programs include rehabilitation efforts such as those involving school and shop building and the delivery of blankets for families affected by the recent earthquake in Pakistan. The Economist Intelligence Unit study I commissioned to highlight lessons learned from the Indian Ocean tsunami was aimed at helping governments and relief organizations be better prepared for similar events with respect to last-mile logistics. We can never do quite enough, but it is heartwarming to see we have responded so generously and spontaneously, both as individual employees and as a company, to try to make some impact on the lives of those who have been so gravely impacted by these disasters.”

Singapore





Accepting our social responsibilities.

To accept social responsibilities is one of our seven Corporate Values. As the global leader in our industry, this is a challenge we must meet. Accepting our responsibilities also helps us enhance the long-term value of our company. Our corporate social responsibility program and projects demonstrate our commitment to society. Here we explain where we see our core responsibilities toward society and how we strive to make a difference.

Deutsche Post World Net has a long tradition of living up to its social responsibilities at the global and local level. We have identified our responsibilities with reference to the principles of the UN Global Compact and the UN Millennium Development Goals . And we have evaluated our specific impacts on society. We are now the world's number one logistics provider, having increased our presence across the globe, and in the last few years have become a truly global group. This makes it more important than ever for us to face up to the global challenge of accepting our social responsibilities.

With our international network we are able to connect people all over the world. As a result, it makes sense that we work with partners who also have a global presence or whose work we can support at the global level. At the same time, operating in almost every part of the world brings with it specific local responsibilities. This has led us to become involved in local community investment projects wherever we do business.

Our community investment program consists of global and local initiatives. These initiatives fall into three main categories: disaster management, future generations and supporting entrepreneurs. Disaster management includes disaster preparedness, disaster response and post-disaster reconstruction and rehabilitation. Our commitment to future generations sees us concentrating on health, education and hands-on environmental protection initiatives that improve people's quality of life. And our support for entrepreneurs focuses mainly on facilitating trade and development, as well as on supporting social entrepreneurs, micro-businesses and fair trade . The choice of these three categories was the result of an exercise in the area of our seventh Corporate Value. This looked at how we could most effectively cluster our social initiatives.

We also support the local community in Bonn , Germany—the location of our global headquarters—through a variety of measures [see box on page 40].

Our employees are a major driving force behind our corporate social responsibility projects. We seek to foster their social commitment by offering a common platform through which they can support organizations and local communities on a voluntary basis. We will be developing additional programs to promote employee involvement during the coming year.

More information on our community investment programs can be found in the “Our world” section of our corporate website.

Our partners on disaster response

“Logistics is often the linchpin in disaster response, the make or break. Getting help to people in need is critical and for this we need a smooth supply chain. Agreements with the private sector can help make this happen.”

Jan Egeland, UN Emergency Relief Coordinator

“It is vital that international organizations delivering aid have the capacity to do so quickly and effectively to ensure a smoother road to long-term recovery.”

Kemal Dervis, Administrator of UNDP



DRT volunteers are trained in special workshops to prepare them for their humanitarian work.



Disaster management

The international community and NGOs often struggle to deliver aid quickly to remote areas in the immediate aftermath of major catastrophes. Transportation and logistics challenges can mean the difference between life and death for many people. In 2004 and 2005 the series of major natural disasters saw us facing up to these challenges. A major challenge within the context of our Sustainability Work Program has been to see how we can now best apply our competencies and experience in logistics for the good of society [see box on opposite page].

At the global level, our major contribution has been to support the international community's humanitarian missions in the aftermath of major sudden-onset natural disasters. We have done this by managing air cargo operations at airports close to the disaster-affected region. Based on the experience we gained in responding to major natural disasters—and given the fact that we know we can use our core competencies to make a difference in this area—we decided to greatly expand our global Disaster Management program.

In December 2005 we entered into a long-term strategic partnership with the United Nations in the area of disaster management. We signed a memorandum of understanding with both the United Nations Development Programme (UNDP)  and the Office for the Coordination of Humanitarian Affairs (OCHA)  to support the UN's disaster preparedness and disaster response initiatives.

DHL's extensive experience in supporting the international community's humanitarian missions following major sudden-onset natural disasters spurred us to make the decision to set up a global network of DHL Disaster Response Teams (DRTs) in cooperation with OCHA. The mission of the DRTs is to manage air cargo operations at the airport closest to the disaster-affected region—thereby reducing bottlenecks and keeping the airport open for additional relief flights. The teams use their specialist knowledge of logistics to organize the effective handling, warehousing and loading of relief goods for onward transportation. This ensures that those in need receive relief supplies quickly.

The first DRT, designated “DRT Asia Pacific,” is made up of a pool of 80 DHL experts, all of whom are volunteers. It was inaugurated in Singapore in April 2006. It will support the UN's and international community's humanitarian missions throughout the Asia Pacific region. The second DRT, the “DRT Americas,” serves the Latin American and Caribbean region. It was inaugurated in May 2006. These two DRTs will cover the regions worst affected by the most deadly major sudden-onset natural disasters of 2004 and 2005.

In addition to the DRTs, we plan on working with both UNDP and OCHA on a range of further initiatives in the field of disaster preparedness and disaster response.




Deutsche Post World Net employees donated 58,000 winter jackets for children affected in Pakistan by the 2005 earthquake.

And beyond our global strategic partnership with the United Nations, we will continue to support local disaster preparedness, disaster response and post-disaster reconstruction and rehabilitation initiatives around the world.

> Disaster preparedness


We are currently evaluating how we can support both UNDP and OCHA in additional areas of disaster management, such as disaster preparedness. Our objective is to support the UN's mission of reducing the risks posed by major natural disasters in the long term. For example,

we are looking at working with the UNDP and OCHA on a strategy for rolling out public education and awareness campaigns in countries particularly at risk from natural catastrophes. This could involve, among other measures, sharing our skills and knowledge with national governments, NGOs and other organizations and jointly developing emergency logistics preparedness plans. We could use our core competence in mail and address management to help make local communities aware of potential risks.

We will also continue to support local disaster preparedness measures, such as with the Economist Intelligence Unit's November 2005 publication of its "Disaster-response management: going the last mile"  report. This report, which was sponsored by DHL Asia Pacific, discusses the lessons for governments, aid agencies and companies from the 2004 Indian Ocean tsunami. It concentrates in particular on measures that could be taken to improve last-mile logistics in a disaster zone.

Managing air cargo operations in the aftermath of major natural disasters

In 2004 and 2005 teams of DHL employees managed air cargo operations at airports close to areas affected by the major sudden-onset natural disasters. These major deployments, when considered alongside the support we have provided to many communities following smaller scale natural disasters, demonstrate our commitment to using our core competencies to deliver help.

Within hours of the Indian Ocean tsunami striking in December 2004, a team of DHL volunteers had landed at Colombo Airport, Sri Lanka, to start managing the huge quantities of emergency relief supplies that began arriving at the airport on charter flights from around the world. Together with other participating logistics companies, we helped handle 7,000 tons of aid from 160 aircraft in three weeks .


While DHL took a central role in coordinating the logistics at Colombo Airport, Postbank also supported the tsunami relief effort by making it easy for donors to transfer money to South-East Asia. This helped get financial aid to those who had been left stranded and desperate.

Deutsche Post teamed up with eBay to raise funds for the relief effort. Donated items were handed over at Deutsche Post's retail outlets in Germany from January 5 to 17, 2005. Thousands of people responded to the appeal by bringing in some 200,000 parcels. These were then transported free of charge from the retail outlets to a central collection point run by DHL Fulfillment and auctioned off on eBay. The donated items generated more than €2.2 million. These funds went to a special account at Postbank and were subsequently made available to a group of NGOs involved in the tsunami relief effort. Deutsche Post World Net, with the support of its employees worldwide, itself donated more than €1.3 million to those affected by the tsunami.

> Post-disaster reconstruction and rehabilitation

Our commitment to disaster management also includes supporting post-disaster reconstruction and rehabilitation measures.

We approach post-disaster recovery at a local level by building on our close links with the local communities in which we operate. Working at this level helps establish a long-term and sustainable approach to disaster management that affords communities the best help in rebuilding their lives.

DHL India, for example, is working with the Indian Red Cross  to build a school in the state of Tamil Nadu for children affected by the 2004 Indian Ocean tsunami. In addition to its financial contribution of €37,000 toward the building costs, DHL employees will also regularly volunteer at the school as part of a long-term commitment to this project.

DHL Asia Pacific donated US\$60,000 to the Gangaramaya Temple in Sri Lanka. These funds will be used for a housing project at Seenigama for people displaced by the 2004 tsunami. The project will see 50 “shop-houses” built. Each of these will have a living area upstairs and shop space on the ground floor, speeding up the recovery of the local economy.

As part of our post-tsunami reconstruction effort, DHL Germany is using carbon-offset funds generated by its pilot “Green Parcel” project. They are being used, for example, to finance solar power systems for local communities in Sri Lanka. These have the added benefit of supporting the move away from fossil-fuel-based energy.

In the aftermath of the earthquake in Pakistan in 2005, DHL employees teamed up with a non-governmental organization to distribute 58,000 winter jackets and other clothes to children living in the mountainous area that was badly affected. These jackets had been donated by employees of Deutsche Post World Net in Germany and Belgium to provide protection against the harsh winter elements. At the same time, employees donated €20,000 to support the building of a school in the village of Jabbarah in the devastated Balakot region of the country.

In the aftermath of Hurricane Katrina DHL helped bring the music back to New Orleans. In cooperation with the Mr. Holland’s Opus Foundation, DHL delivered \$25,000




worth of musical instruments to the Sophie B. Wright Charter School, which had suffered significant damage.

Future generations

The concern for future generations lies at the core of the sustainable approach we are adopting. Improving the lives of children and young adults is a challenge to which we must face up. We have identified three key areas where we can use our employees’ skills and energy and our core competencies as a company to make a substantial difference. The first of these is health, with a focus on reducing child mortality and children’s exposure to major diseases. The second is education. And the third relates to hands-on environmental protection initiatives that directly improve the quality of people’s lives.

> Health

We support health efforts at both the global and local level. For example, in a unique grouping of international partners, we have entered into a public-private partnership with the European Generic Association (EGA), the Business Humanitarian Forum (BHF) and the Deutsche Investitions- und Entwicklungsgesellschaft (DEG—the German Investment and Development Corporation) to help build the first generic pharmaceuticals factory in Afghanistan . The aim of this project is to improve significantly the supply of safe and affordable medicines in this country. It will begin its operations in early 2007. The factory, which is located in Kabul and is 100 percent Afghan-owned, is expected to produce 300 to 400 million

Children at the Sophie B. Wright Charter School in New Orleans look forward to playing the donated musical instruments delivered by DHL.

units of desperately needed medicines annually. The antibiotics, pain relievers and other drugs it will produce will contribute primarily to the reduction of child mortality in Afghanistan.

Another example of this is DHL's partnership with Merck Sharp & Dohme (MSD), which we announced in July 2005. The aim of this partnership is to improve the delivery of MSD's anti-parasitic drug MECTIZAN to patients affected by onchocerciasis (commonly known as "river blindness") and lymphatic filariasis (or "elephantiasis") in Africa, Latin America and the Middle East. Under this agreement, DHL ships MECTIZAN at cost from MSD's facility in Clermont-Ferrand, France, to countries in which these two diseases are endemic.

With DHL's dedicated Life Sciences logistics business unit, we are specialists in the shipment of temperature-controlled and time-critical medicines. Efficient and robust delivery systems that ensure adequate and uninterrupted supply are a key building block for medical programs in the developing world. The new agreement builds on an existing relationship between DHL and MSD forged in May 2004. The original agreement has seen us deliver MSD's antiretroviral HIV/AIDS medicines at cost by air express to designated treatment centers in two dozen countries throughout sub-Saharan Africa.

Such initiatives in the area of HIV/AIDS complement our in-house HIV/AIDS policies and our work with the Global Business Coalition on HIV/AIDS (GBC), of which we have been a member since 2004. GBC's mission is to harness the power of the global business community to fight HIV/AIDS and to initiate joint programs to contribute to this common goal.

On the local level, our initiatives targeting health-related needs and challenges are often driven by our employees and supported by our local country offices or divisions.

For example, we support the care of sick and chronically ill children in many countries. These initiatives often revolve around fundraising events run by employees in support of local children's health institutions. Employees of DHL Canada, for example, raised money for The Montreal Children's Hospital Foundation through a bowling event. In another initiative, employees of DHL Ireland raised funds for The Children's Medical and Research Foundation at Our Lady's Hospital for Sick Children in

the town of Crumlin, Republic of Ireland. Another of many examples from across our enterprise is the support given by employees of DHL Singapore to a variety of charities that care for chronically ill children.

Postbank and Aktion Mensch, Germany's largest privately run social development agency, entered into a partnership agreement in 2004 that is set to run for at least five years. This agreement sees Postbank becoming the exclusive social partner of Aktion Mensch in the area of child and youth welfare. The first project launched in the context of the partnership was the "Cool down, kick off" series of five-a-side street soccer tournaments. These take place annually in 10 socially deprived urban areas of Germany. They are aimed at encouraging dialog and civil courage among the participating children.

Postbank has established a savings product that supports this partnership, called Postbank Gewinn-Sparen. This adds a social aspect to customers' savings deposits as Postbank donates 1 percent of the bonus interest payments to Aktion Mensch. In February 2006 Postbank donated €245,000, the amount generated in 2005.

We also have programs run by our local companies that focus on HIV/AIDS, such as the support by DHL Kenya and its employees of the Kenya Network of Women with AIDS (KENWA). KENWA's mission is to improve the lives of women and children with HIV/AIDS and of AIDS orphans.

Hunger eradication is another challenging area in which we are determined to make a real difference. DHL Brazil and its employees provide logistics support for the Mesa São Paulo project in Brazil. This helps feed hundreds of children and elderly people who would otherwise go hungry.





“Cool down, kick off” soccer tournaments encourage dialog and civil courage among the participating children.




> Education

In the area of education, we again operate at both the global and local level. At the global level, for example, we delivered around 4,500 donated computer systems to 14 countries in Africa, Asia and Latin America in 2005. This effort was part of our commitment to using our logistics competencies to help build individual capacities in the developing world. This is another challenge we have set ourselves. More than 300 schools are benefiting from the computer systems that DHL delivered to the education ministries of these countries. The computers will give students, teachers and members of the community access to information and the opportunity to acquire IT skills.


The delivery of the computer systems marked the conclusion of a cooperative project with World Links . This international not-for-profit organization uses technology to deliver opportunity and hope to disadvantaged young people. DHL was particularly happy to offer its support as the project also included training for teachers and support staff at the schools that received the donated computers. Teachers were shown how to use the technology and how to work with new sources of information to enhance the educational value of their lessons. Better educated students have a higher chance of raising their standard of living.

We also support libraries and literacy programs. For example, DHL in the United States collects books from high schools as part of its “Room to Read”  initiative and sends them to Cambodia and Myanmar to help raise literacy levels in these two developing countries. DHL Chile, DHL Indonesia, DHL Kenya and DHL Thailand, to name a few, have their own programs aimed at giving children greater access to books.

Finance Award

With its “Finance Award,” Postbank is driving research and enthusing students about finance and thereby helping support young talent. The aim is to encourage the students to work in teams to think about the future of banking and make innovative suggestions on topics of social relevance, such as on the retirement system. University professors are by now largely integrating the topics of the Finance Award into their teaching as well. The teams’ suggestions are evaluated by a panel of experts from research, business and the financial media. With a total of €70,000 in prizes, the Postbank Finance Award is Germany’s most lucrative university competition in the area of finance. 

Beyond these initiatives, we also support schools in many other ways, such as by offering students mentoring and career advice or through raising funds. The donation drive by DHL-Sinotrans and its employees following the 5.7 magnitude earthquake that struck China's Jiangxi province in November 2005 is one such example. This drive raised funds for the reconstruction of the Sanqiao Village Elementary School, which had been severely damaged. In January 2006 DHL-Sinotrans handed over its first donation for the school to the NGO World Vision. This came to more than €21,000.

In May 2004 we began sponsoring the Bertolt Brecht Secondary School , located in Bonn, Germany, the city in which we are headquartered. Through this sponsorship we offer the school pupils the opportunity of gaining practical work experience with us. We also present them with other opportunities for gaining a better understanding of what faces them in their working lives. And we support sports and charity events at the school.

Deutsche Post World Net also participates in traffic safety educational programs aimed at children. For example, in cooperation with ADAC (the German automobile association), Deutsche Post supports the "Getting there safely" program for kids on bicycles. In the UK, our truck drivers recently trained 15,000 school children on the potential dangers of large vehicles as part of DHL Logistics' "Trucks and Child Safety" program.

> Environmental protection

We have a comprehensive environmental program through which we seek to minimize the impact of our business on the environment. We also undertake and sponsor many environmental protection initiatives out-

side this program. These hands-on measures are aimed at improving the quality of life of future generations around the world.



DHL Malaysia and its employees, for example, support a reef restoration project close to Tioman Island, Malaysia. In Russia, DHL employees planted thousands of trees as part of an effort to add more greenery to cities across Russia. In Poland, DHL employees have been taking part in the international "Clean up the World" action for over 10 years. Each year around 700 DHL Poland employees and their families remove approximately 1,000 bags of litter from forests and meadows across Poland. In Germany, Deutsche Post World Net's partnership with Friends of the Earth Germany (BUND) seeks to improve the quality of life in cities by creating parks and green areas (the "Klimaoase" project). Twenty-four projects have been financed in Germany to date.

Support for entrepreneurs


To foster entrepreneurship is one of our Corporate Values. Supporting entrepreneurship is an essential aspect of strengthening economic development in both the developed and the developing world. It is a challenge we take very seriously.

Our mail, express, logistics and financial services and the expertise of our employees support the success of many small businesses and entrepreneurs around the world. For this reason we decided to support social entrepreneurs, micro-entrepreneurs, and fair trade. We seek to strengthen their capacities and know-how by sharing our knowledge and experience and by providing our logistics competencies.

Sponsoring events in Bonn and Germany

In Bonn, Germany , where the Group is headquartered, we sponsor local events and institutions. For example, we entered into a partnership with the annual International Beethoven Festival in 2004 . This celebrates the music of Bonn's most famous son, Ludwig van Beethoven. Through our sponsorship we seek to support the Beethoven Festival's objective to attract and delight more young people. Alongside this financial support, we also help bring more people to the Beethoven Festivals by offering innovative, new cultural attractions. And we put local facilities we own at the organizers' disposal.

In March 2006 we sponsored the Third International Conference on Early Warning (EWC III), which also took place in our home city. The conference sought to share best practices and the latest developments in the field of early warning of natural hazards. It was host to a broad range of international experts and major international figures. President Bill Clinton, UN Special Envoy for Tsunami Recovery, addressed the conference, as did Klaus Zumwinkel, Chairman of the Board of Management of Deutsche Post World Net, who updated delegates on the Group's disaster management program.

Postbank is a national sponsor of the FIFA World Cup™ 2006 in Germany. It is also a premium partner of the German Football Association (DFB) and an official partner of its "Qualification Offensive," which supports, among other things, the development of young trainers. 



With the Post Tower-Run 2006, 350 participants helped raise €10,000 for the Nelson Mandela Children's Fund Germany.


Most of the businesses and entrepreneurs we support operate on a small scale. Our “Supporting Entrepreneurs” program is therefore carried out primarily at a local level by the DHL’s regional and country units. Many of the projects are supported by the voluntary efforts of our employees.

> Social entrepreneurs

Social entrepreneurs are individuals who use the tools and methods of business to introduce lasting social change in their communities. They and their organizations provide long-term solutions to social problems and address specific needs within their communities.

As part of our initial program, DHL Asia Pacific will support social entrepreneurs by helping them increase their skill set. The primary focus is on improving the business skills they need to achieve their goals. This approach helps ensure longer-lasting and more sustainable solutions to satisfy community needs. We are planning to assist DHL employees in their efforts to share their business skills with social entrepreneurs by supporting a volunteering and mentoring program.

> Micro-entrepreneurs

DHL USA runs the “DHL Advancing Micro-Entrepreneurs” program in partnership with the Association for Enterprise Opportunity (AEO) , a national trade and membership association that promotes and supports micro-enterprise development programs.

DHL volunteers provide guidance on issues relating to small businesses, including supply chain management and customer service. They do this through the “DHL Cares Day Project”. This enables them to make direct, practical contributions to the success of selected micro-entrepreneurs and local partners via a volunteer-based company program coordinated by local AEO partner organizations.

> Fair trade

Fair trade  is about ensuring that international trade benefits smaller-scale producers and their families in a sustainable way. Supporting fair trade is an essential challenge for us. We tackle it by sharing our knowledge of international trade with fair trade producers and organizations and by purchasing fair trade products.

Deutsche Post World Net is proud to support fair trade. For example, the Group supports mango farmers in the Philippines through the annual purchase of more than two million mini-bags of mango fruit gums made with fair trade mango puree. The fruit gums are handed out as giveaways at our postal retail outlets in Germany and at fairs and events. The premium the farmers receive for their produce improves their families’ standard of living beyond what it might otherwise be if the farmers had to rely solely on local market prices.



Delivering value
to shareholders and
stakeholders?



**Thorsten Boeckers, Director Investor Relations, Institutional Investors,
Deutsche Post World Net, Corporate Headquarters, Bonn**



“Social responsibility and good corporate governance are criteria I consider when I invest my money in the capital markets. Only sustainable business practices make a company successful in the long run. They make me confident that I will receive long-term shareholder value in return.

“The financial market is often thought of as being cold-blooded. Nothing but financial performance seems to matter. As a publicly listed company, Deutsche Post World Net is aware of its shareholders’ expectations and has a clear strategy to deliver excellent value. But we also see our non-financial performance as a key value driver for the Group. A small but growing number of investors take socially responsible investment (SRI) criteria, sustainability indices and ratings into consideration when deciding on investments. They assess our company using not only financial but also non-financial criteria, such as our environmental performance, social commitment and corporate governance standards. Their research is often based on direct input from our company, provided via interviews, discussions and questionnaires.

“In 2005 we became more proactive and launched our first SRI road show to discuss SRI-specific issues with institutional investors. This confirmed to us that there is increasing awareness in the financial sector of corporate sustainability performance. Encouraged by this, our investor relations team is working ever more closely with our sustainability team to ensure the value we deliver to our shareholders increases in line with the value we deliver to our stakeholders and society.

“With my professional background and present job in investor relations I have had regular discussions with representatives of the capital markets. My personal experience is that financial performance is no longer the only criterion they look at. Knowing about Deutsche Post World Net’s commitment to sustainability and its scope of related activities therefore makes my job in investor relations an easier one.”


Bonn





A financial basis for sustainability.

Accepting social responsibilities and reducing the environmental impact of logistics goes hand in hand with solid financial performance. At the same time, good non-financial performance is growing in importance as an investment criterion for the capital market. Here we discuss our challenges as a global logistics company of aligning our financial performance with our social and environmental goals.

Awareness and interest on the part of investors about the non-financial performance of companies is growing. They are increasingly exploring investment options that exclude companies whose social and environmental performance do not meet with their approval. And they are starting to link good performance by managers on non-financial issues with managerial discipline and open-mindedness. These are seen as qualities that drive good financial performance.


This trend is visible not just in dedicated socially responsible investment (SRI) , whose combined funds under management are growing, but also in mainstream funds. In these mainstream funds, research relating to non-financial issues is gaining in importance. The main driver of this is an increased awareness of environmental and social issues on the part of investors. Regulations and legislation are also driving this trend, with the French Pension Reserve Fund, for example, required by law to take into account social and environmental criteria in its management orientation.

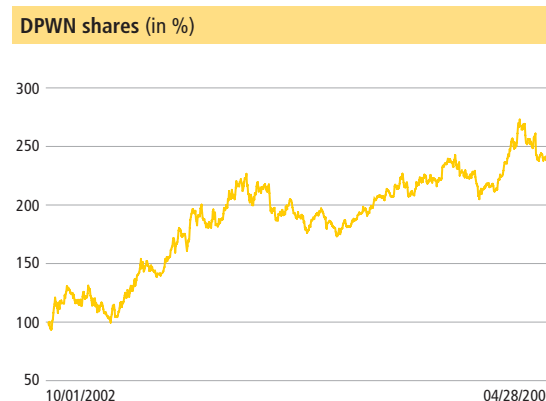
We have begun reaching out to investors on these issues. Deutsche Post World Net is one of the first major continental European companies to actively approach investors about its non-financial performance. We are finding that their interest in the financial and risk-reduction benefits of acting sustainably is growing. And they are often concerned with the environmental and social aspects of our operations regardless of their relevance to our financial performance. Something we have learned from speaking with investors is that they want to see sustainability anchored in the company. They are therefore pleased to discover that a call to act with social responsibility is one of our seven Corporate Values . Keeping track of the evolving non-financial expectations of the financial community is integral to our Sustainability Work Program.

Another factor that recommends Deutsche Post World Net to sustainability-conscious investors is our listing in the FTSE4Good sustainability index . This signals recognition of our work in the field of sustainability. The FTSE4Good index was launched in July 2001 and includes only companies that satisfy a range of sustainability criteria. We have been listed in the FTSE4Good index since 2002.

Financial performance


Achieving strong financial performance is integral to our sustainability strategy. High operational strength guarantees our continuing existence as a value-adding enterprise in society. It also helps drive our growth, ensuring that we have even greater scope to realize benefits for the environment, society and the people who work for us.

Our strong financial performance has seen our share price increase steadily since the announcement in October 2002 of our STAR program for value creation and integration  [see graph]. It has also driven the value we can deliver to all those who hold a non-financial stake in our company [see the “Strategy and guidelines” chapter for more information on our stakeholders and the stakeholder value we create].




Selected indicators for results of operations		2004 (restated)	2005	+/-%
Revenue	€m	43,168	44,594	3.3
Profit from operating activities (EBIT)	€m	3,001	3,755	25.1
Return on sales (EBIT) ¹	%	7.0	8.4	
Consolidated net profit excluding minorities	€m	1,598	2,235	40.0
Earnings per share	€	1.44	1.99	38.2

¹ EBIT/revenue

A more detailed account of our financial performance can be found in our annual reports. These are available online at <http://investors.dpwn.com> .

> Financial overview


In business year 2005 revenue grew by 3.3 percent to €44,594 million, while EBIT  rose by 25.1 percent to €3,755 million, up from €3,001 million in 2004. Consolidated net profit climbed 40.0 percent to €2,235 million.

We expect a substantial increase in earnings by 2009. By then operating profit should reach at least €5.2 billion, an increase of one third compared with 2005. The EXPRESS and FINANCIAL SERVICES divisions will each contribute at least €1 billion to this figure, the LOGISTICS division at least €1.2 billion. Despite growing competition in the German mail market, we believe we will be able to limit the negative impact on the Mail division's profits to a maximum of 10 to 20 percent.

Corporate strategy


Globally, Deutsche Post World Net has a comprehensive range of services for mail, goods and information logistics that is unrivaled by any other company in its sector. We developed as a group of companies that were the leaders in each of their countries and markets: These included Danzas and DHL, as well as Airborne, Postbank, Exel and other companies with different sizes and focuses in various parts of the world. This means we can now adapt to the specific needs of our customers in their respective environment. Conventional offerings have long failed to satisfy these requirements. Instead, customers are demanding a comprehensive service offering that bundles a range of services. Being able to deliver this kind of variety from a single source is our strength.

> Well prepared for future developments

In the coming years we intend to focus our range of services even more squarely on the needs of our customers. The integration of Exel , the major UK logistics company we acquired in 2005, will be a major step toward this—and we aim to largely complete it in the next two years.

We continue to face the major challenge of integrating and optimizing our European network. The Operation and Network Europe project launched under STAR has therefore continued past the official end of the STAR program in December 2005.

This also applies to other long-term projects. We will merge depots and sorting centers that are only worth deploying for larger volumes or when existing contracts have expired. Overall, we aim to further extend our leading position in Europe and Asia in the long term. In the express business, with its major potential for automation, this means that the tighter the network, the faster, better and more environmentally friendly and cost-effectively we can operate it.

In the future we are looking to offer customers our services from a single source. The success of DHL Global Customer Solutions (GCS) , which we established in January 2004 to manage our global customer accounts, has vindicated this approach. These and other measures are designed to ensure that we can meet the global demand for logistics services.

The year 2005 marked the end of a 15-year, three-phase strategy with which we repositioned ourselves as a company. After the initial successful turnaround phase we concentrated on increasing our worldwide presence and broadening our service offering. We then set about consolidating our various divisions into a single, powerful company. Today we are the market leader whether considered as a single unit or in terms of the market segments in which we are active.




"First Choice," the next phase of our corporate strategy, sees us sharpening our customer focus.

> Our STAR program

Our STAR program for value creation and integration ended on December 31, 2005. We have already fully completed more than three-quarters of all projects. We believe that STAR has been a major success. For more than three years, over 500 employees from various backgrounds, business divisions and business cultures worked together to achieve a common goal. As a result, the Group has become an international company. We have learned to combine our wide range of skills and knowledge to benefit our customers and shareholders. And we have kept the promise we made to the capital markets.

But our ambition goes further. We want to be not only the biggest supplier but also market leader in terms of quality and customer satisfaction.

> First choice for our customers

We always want to be the first choice for our customers. This is why we launched a new program in 2006, called "First Choice" , that is the next step in our corporate strategy. It is as logical as it is ambitious. After pushing ahead with integration in recent years, we are now focusing on improving customer satisfaction and on growing organically.

We are proceeding in a structured manner. An extensive benchmarking exercise will allow us to identify the main criteria by which customers choose a logistics provider. We will then compare these with our processes and identify the areas that need improvement. On the basis of these findings we will develop initiatives in order to improve specific aspects of our service quality.

At the same time, we are refining the systems we use to measure service quality. The ultimate goal of this program is to mobilize our 500,000 employees and equip them to drive the Group's quality and productivity toward world-class levels.

> Success factors

We believe our recent success can be largely ascribed to the four major developments of globalization, liberalization, digitization and the rise in outsourcing. Globalization, for example, has led to an increasing demand for worldwide logistics and express services. With transnational commerce growing faster than national commerce, we have achieved considerable success on the back of our global logistics network. This network links the most important economic regions around the world. We are continuing to expand it and make it more efficient. We have an internationally leading role in air and sea freight, express and mail. This means we are optimally positioned for the long term as the globalization trend continues.

The sustainability benefits of our activities relating to globalization involve the economic value we deliver to developing countries. One way we add value is by opening up new markets for the products and services their people can supply. Another way is by facilitating knowledge transfer from the developed to the developing world. Our presence in the developing world also drives capacity-building and infrastructure development.

We are however well aware of the challenges that globalization presents. Two examples are increasing inequality and volatile capital movements. These are creating economic and social problems that require an appropriate response.

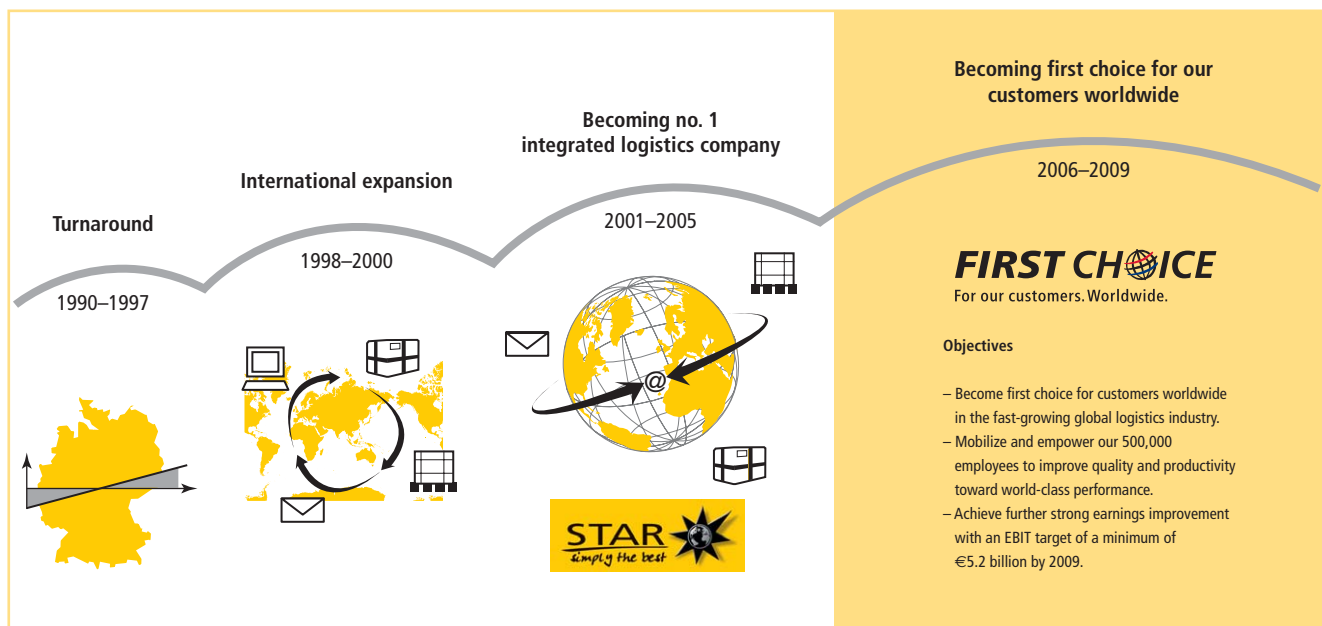
Often globalization is believed to be widening the gap between rich and poor. We see it as a duty and challenge to promote trade and help raise incomes in the poorer countries in which we operate. At the same time, we recognize that we must also help counteract the tendency toward financial inequality in these areas.

One area in which we are well equipped to do this is education and training. DHL's new university in Shanghai, for example, which is described in the "People" chapter of this report, contributes to driving up income in China through promoting productivity. It offers new educational and professional opportunities that are in themselves of great value.

Outsourcing is another development that has been the subject of much criticism. It is seen as threatening the livelihoods of workers in the developed world. We take this criticism very seriously. We are a company that benefits from outsourcing both as a service provider to which work is outsourced and also as a consumer of outsourced services. The challenge for us is to accentuate the positive aspects of outsourcing. We do this by extending our logistics network even into the least developed areas to enable them to benefit as suppliers from outsourcing. This means they can benefit from the transfer of knowledge and inflow of income that accompany the provision of outsourced services.

Major companies have an essential role to play in transforming global business into sustainable business. They can do this by balancing the positive and negative impacts of their activities. We see our financial performance as strongly linked with our performance in the areas of people, society and the environment. Excellence in all these areas is what delivers and will continue to deliver exceptional value to our shareholders and stakeholders, both now and in the future.

The phases of our corporate strategy



Facts & Figures

This data section is intended to give an overview of our performance data as they relate to sustainability. It builds on the overviews we published in our Environmental Report 2003 and our Human Resources and Social Report 2003. We are aware that this overview is in some respects incomplete, such as in respect to the full set of indicators listed in the Guidelines of the Global Reporting Initiative (GRI). We are not yet in a position to collect all the relevant information from across our company to report in accordance with the GRI Guidelines. This is especially true when it comes to the coverage of our global business. Where possible we have therefore specified in each table the part(s) of our company to which the figures relate or the percentage of the entire company that the figures represent relative to the Group's turnover in the respective year.

The companies specified in the tables are:

DPAG = Deutsche Post AG (without any subsidiaries)

DPWN = Deutsche Post World Net (including all subsidiaries, but without the former Exel)

Unless otherwise stated, figures relating to the former Exel, the UK logistics company we acquired in December 2005, are not included in the Group's figures but are covered in a separate section on the former Exel at the end of this chapter.

The core of the environmental data represents our operations in Germany and Europe. However, some important information, such as vehicle fleet data and fuel consumption, air fleet data, kerosene and paper consumption, relates also to the Americas region or even to our global business.

The reporting units are mainly cross business service units such as fleet management, facility management and procurement. This set of data was expanded by country organizations within DHL Express Europe reporting through the Environmental Citizenship Network (ENC)  program.

The scope and quality of available information is limited by a number of factors, some of which are beyond our area of influence or control. For example, information on energy consumption and waste management in leased facilities is often not disclosed by the owners of these facilities.

Unless otherwise stated, all information in this report strictly relates to our own operations and direct impacts.

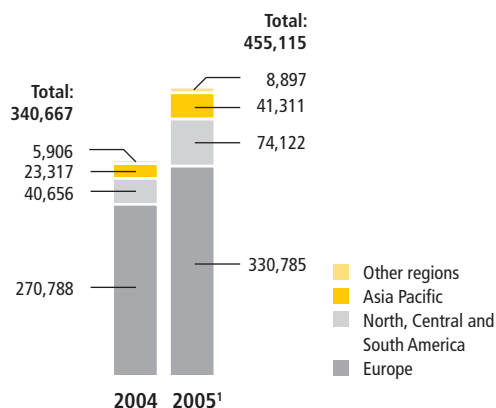
We are continually working to increase the scope, reliability and accuracy of our internal reporting systems. We are also cooperating with our business partners, especially suppliers and subcontractors, to improve the information relating to sustainability issues in our supply chain.

In putting this report together and presenting the facts and figures in this section, we have taken into consideration the sustainability reporting guidelines of the GRI (www.globalreporting.org).

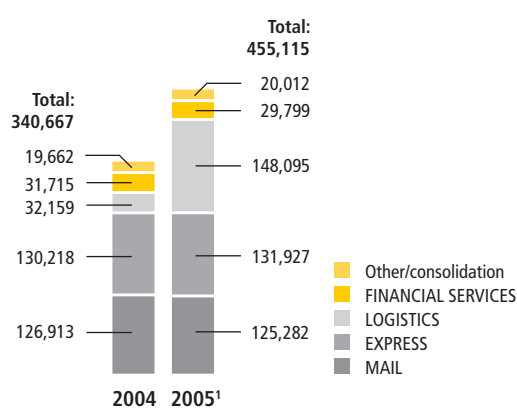
This chapter (excluding the data on the former Exel) and the "Strategy and guidelines" chapter have been audited by PricewaterhouseCoopers. The feedback we received from this process has helped us improve our sustainability data capture and reporting systems.

People

Employees per region (DPWN)



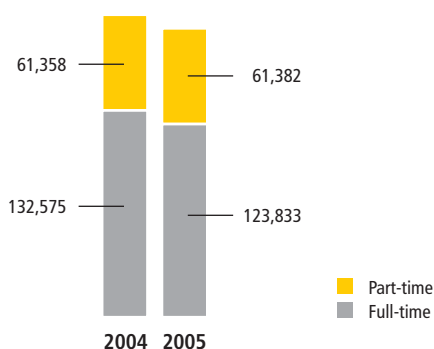
Employees per segment (DPWN)



Our workforce grew by over 114,000 employees between 2004 and 2005. Over 110,000 of these new employees joined our workforce through our acquisition of Exel.

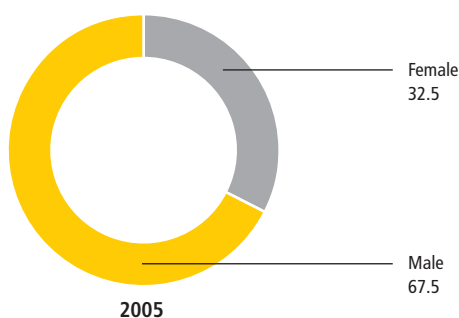
¹ Including Exel.

Employees by type of employment (DPAG)

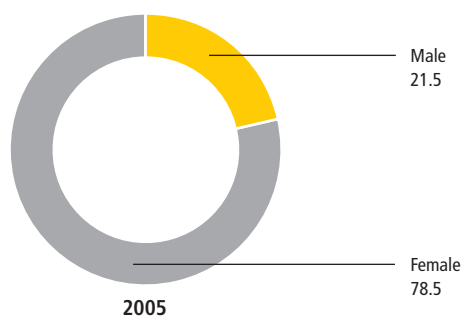


The proportion of part-time employees at Deutsche Post AG rose from 31% in 2004 to 33% in 2005. We believe this reflects our firm commitment to enabling our employees to balance work and family. This rise in the proportion of part-time workers came about against the backdrop of a fall in the total number of both employees and part-time workers.

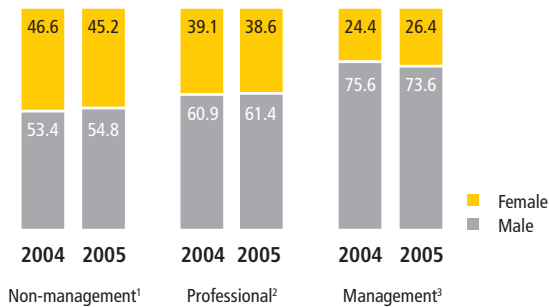
Full-time employees by gender (DPWN) in %



Part-time employees by gender (DPWN) in %



Employees by gender (DPWN) in %



Employees fall into one of three categories at Deutsche Post World Net: Non-management, Professional and Management. The reduction between 2004 and 2005 in the proportion of women who make up the Professional category can be ascribed to the growth in the proportion of females in the Management category over this period.

¹ Non-management employees typically perform administrative or physical type duties.

² Professionals typically perform analytical, conceptual or creative tasks.

³ Management employees have a formal responsibility e.g. for disciplinary issues and performance management.

Family-related leave (DPAG)	2004	2005
Parental/Child care leave (headcount)	4,844	3,928
Family-related unpaid leave (headcount)	3,747	3,400
Number of instances of mediation by pme Familienservice	—	574

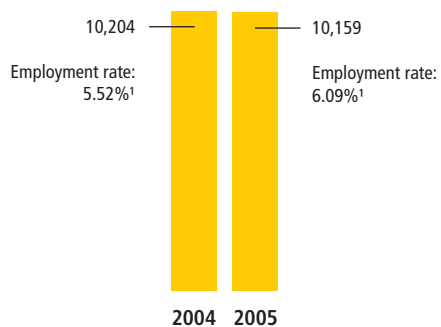
The number of family-related leaves of absences fell in 2005. This was on account of less demand for family-related leave from our employees.

In Germany, Deutsche Post World Net has been cooperating with an external child care advisory agency and service provider since 2004 to offer our employees help with balancing the demands of family and work. Finding the right kind of child care for their individual family and work situation is the major issue for employees who take advantage of this cooperation. The services offered include:

- Help with finding a permanent solution (regular child care)
- Short-term child care
- Emergency child care

Deutsche Post World Net and its partner have complete information about all local child care services, provides competent advice and, if requested, can act as a mediator to help find the right child care professional or center to meet the needs of individual employees.

Disabled employees headcount (DPAG)



¹ Rate is according to the Schwerbehindertengesetz (disabled persons act).

Training (DPWN)	2004	2005
Hour of training/FTE ¹ in hours (approx)	11.2	10.8
Training costs/FTE ¹ in € (approx)	451	489
Number of employees who took part in "motiv8"	1,707 managers ² 1,118 employees ³	3,924 managers 980 employees ³

Training hours relating to on-the-job training are not included in these figures. This is an important and widespread type of training for our employees working in production. But it is not an official type of training and we therefore do not include it in our official figures.

¹ Full-time equivalent.

² First phase of implementation.

³ Pilot strictly in Germany.

Idea management (DPAG)	2004	2005
Savings per employee ¹ in €	537.89	460.19
Total benefits ¹ in € million	106.5	86.1
Total costs in € million	10.3	12.3
Number of individual ideas	136,111	200,184
Number of ideas approved	97,532	143,202

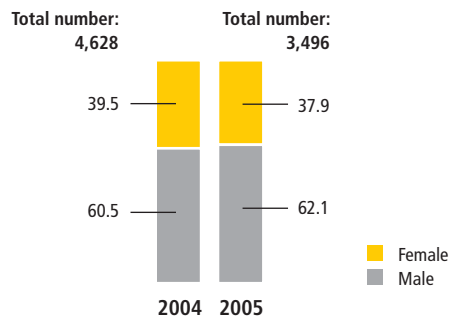
In 2004 and 2005 respectively, the proportion of ideas put forward by our employees that were approved remained constant at around 70%. The fall in total benefits in 2005 results from one idea generated in 2004 that had an above-average saving potential.

¹ Big proposal circle and first year of fully completed realization.

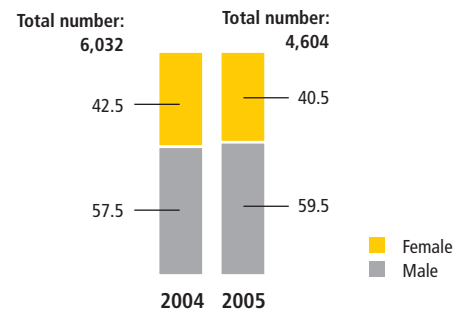
Occupational safety and health (DPAG)	2004	2005
Sick leave absence in %	5.6	5.3
Number of accidents that result in lost time of one day or more	13,196	12,997
Accident rate per 1,000 employees	65	69
Number of accident-related sick days	259,865	265,904
Average absence days per accident	19.7	20.5
Number of accident-caused employee deaths	10	3

2005 is the last year for which the figures only for Deutsche Post AG were reported. With the introduction of a new data capture system we will from 2006 be able to report Group figures for Deutsche Post World Net.

Apprentices (DPAG) in %



Apprentices (DPWN D) & Employees in a trainee-like status (DPWN) in %



The number of apprentices at Deutsche Post World Net in Germany is dependent on the apprenticeship pact we have entered into with the trade union ver.di. This sees us taking on 2,300 new apprentices between 2005 and 2007, including 300 interns who will be prepared for an apprenticeship. The total numbers indicate the total number of apprentices over the first, second and third year. The 2,300 new apprentices who will be taken on in the context of the pact relate to the first year only.

Environment

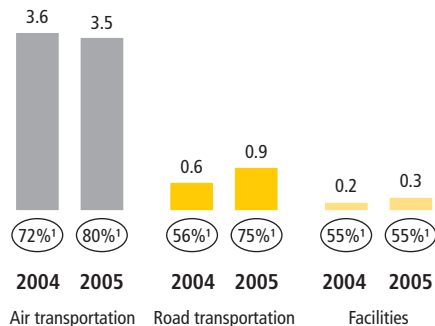
Key resource use	2004	2005	Percentage of total business covered	
			2004	2005
Total (in million kWh)	1,890	1,931	53–57	53–58
Natural gas (in million kWh)	704	778	–	–
Heating oil (in million kWh)	129	111	–	–
District heating (in million kWh)	294	265	–	–
Electricity (in million kWh)	763	777	–	–
Vehicle fuels (in million liters)	250	330	55–60	73–77
Kerosene (in million liters)	1,438	1,399	70–75	78–83

The total numbers represent the percentage of business covered, relative to the Group's total turnover and as indicated for the respective years. A theoretical scale up or projection to 100% of Group turnover in order to assess the resource consumptions for 100% of our business is not possible on account of the different specific consumption or emission factors in different business units (for example business units with different shares of own and subcontracted transports).

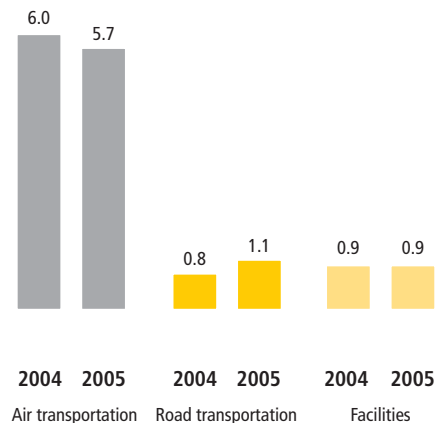
However, within certain business units the energy consumption figures were scaled to 100% of these business units if their reports covered less than 100% of their business. Scalability was assumed sufficient based on the assumption of constant consumption factors within the respective business unit.

The resource consumption data cover only our own use of resources. In the context of aviation, kerosene used for aircraft capacities leased by DHL Express was also included.

Total CO₂ emissions (Scope 1) in million tons



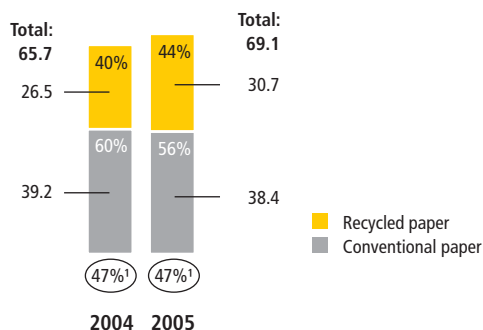
Total CO₂ emissions (Scope 1–3) in million tons



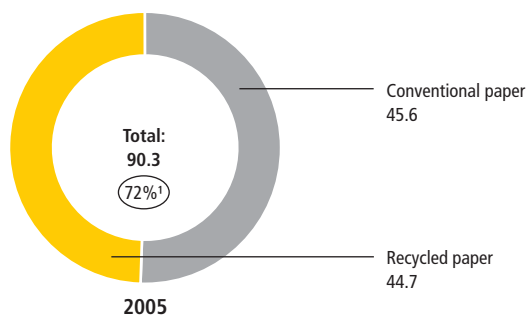
We report CO₂ emissions according to the various scopes defined in the Greenhouse Gas Protocol (see <http://www.ghgprotocol.org>). Scope 1 includes only emissions from sources we own and, for aviation only, emissions from leased aircraft. Scope 2 includes emissions from electricity generation. Scope 3 primarily covers emissions from the supply chain for fuels and kerosene. For this calculation we used the same emission factors as we used for our Environmental Report 2003. As an additional approximation we used the same emission factor for kerosene in the supply chain as for diesel. The percentages of business covered cannot be specified for Scope 2 and Scope 3 emissions, since these emissions are usually not reported by subcontractors or suppliers.

¹ Percentage of total business covered measured by turnover (± 3 percentage points).

Paper use Germany in thousand tons



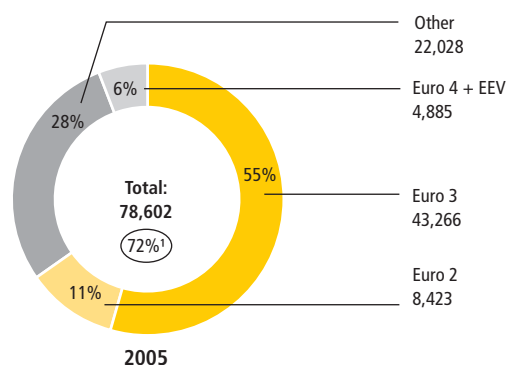
Paper use worldwide 2005 in thousand tons



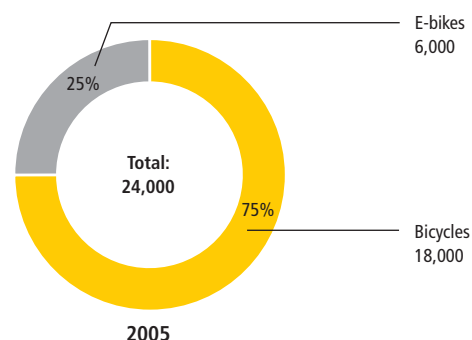
The 2004 data cover primarily Deutsche Post AG (as defined at the beginning of this Facts & Figures section) plus a number of subsidiaries in Germany as well as Deutsche Postbank but without BHW. The 2005 worldwide data to a great extent also include the international activities of DHL Express. The German data for the years 2004 and 2005 each cover approximately 44–50% of Group turnover. The inclusion of DHL Express worldwide data increased this for the 2005 worldwide data to approximately 70–75% of Group turnover. Locally procured small amounts of office paper and printing products are not included in these figures. However, more than 15,000 tons of paper procured on behalf of our customers by our Printcom service in Germany for the production of hybrid mail products are included.

¹ Percentage of total business covered measured by turnover (± 3 percentage points).

Vehicle fleet by emissions class



Bicycles (Germany)



The figures relate exclusively to our own vehicles. Trailers, bicycles or E-bikes etc. are not included. Emissions standards vary across the globe. In Europe vehicles have to have extremely low emissions to satisfy Euro 3, Euro 4 or EEV emissions standards. In other regions, such as the Americas, other emissions standards are used. The vehicles reported in the category "other" therefore include 10,148 vehicles that comply with the US EPA 2 standard.

E-bikes are bicycles that have an added electric motor. They are a very environmentally friendly form of motorized vehicle.

The emissions of nitrous oxides (NO_x), carbon monoxide (CO), hydrocarbons and particles (especially diesel soot) are primarily dependent on the emissions standard of the vehicles. This overview therefore provides a very good qualitative picture of the overall emissions standard of our fleet with regard to pollutants other than carbon dioxide (CO₂). These pollutants define the more local impact of road transport.


Calculating of these emissions is very complicated. Such a calculation would be based on many generic assumptions and would still deliver data with only very limited accuracy. We have therefore reported the distribution of our fleet over the various emission classes instead.

¹ Percentage of total business covered measured by turnover (± 3 percentage points).

Total aircraft		
Total	427	
Jet aircraft	238	
thereof meet Chapter 3	238	100%
meet Chapter 4	81	34.0%
with hushkit	134	56.3%
thereof meet CAEP/6	47	19.7%
meet CAEP/4	69	29.0%
meet CAEP/2	237	99.6%

As of March 2006, DHL used a total fleet of 427 owned or dedicated/chartered aircraft. Of these, 238 had jet engines. The others were largely small turboprop aircraft used as feeder aircraft for the main network flights. All jet aircraft complied with the Chapter 3 noise requirements described in ICAO Annex 16, Volume 1. Moreover, 81 (34%) already complied with the more demanding Chapter 4 requirements, only applicable to aircraft manufactured after January 1, 2006. Regarding NO_x emissions, all but one jet aircraft complied with the ICAO Annex 16, Volume 2 CAEP/2 emissions limit. We took no account of whether the aircraft legally had to comply with this limit or were built before it became applicable. The more demanding CAEP/4 requirements were met by 69 aircraft, without any legal need of compliance, and 47 produced NO_x emissions at a level below the limits of the CAEP/6 emission limit, which is not yet effective and which will be mandatory only for engines manufactured in 2008 or later.

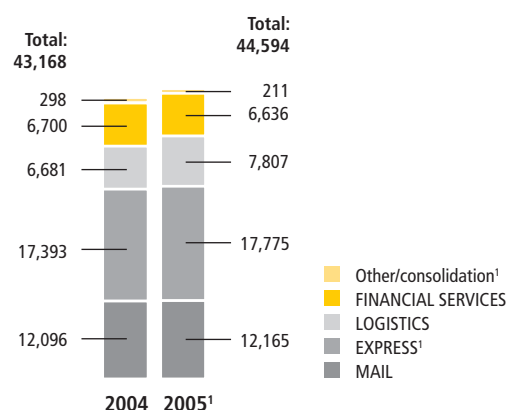
Total waste generated in thousand tons	2004	2005	Percentage of total business covered	
			2004	2005
Total	71.8	80.2	–	29–32
Disposed of ¹	15.2	28.2	–	–
Recycled	56.6	52.0	–	–

The 2004 data cover primarily Deutsche Post AG. The 2005 figures additionally include data from some country organizations within DHL Express Europe reporting through the Environmental Network and Citizenship (ENC)  program. All figures relate exclusively to waste we ourselves produced. Waste we transported or disposed of on behalf of our customers is not included in these figures. The waste covered in these figures is primarily paper, cardboard and plastics or metal from packaging material, as well as waste similar to household waste. In many countries and individual office locations our waste is picked up and removed via municipal waste collection. In these cases we cannot always collect waste disposal figures. On account of the variance of legal definitions between different countries it is impossible for us to make a uniform differentiation between waste that is recycled and waste that is disposed of. This variance will make it very difficult to cover our waste disposal and recycling performance more accurately. The fundamental point to be made about waste at Deutsche Post World Net is that only a very small proportion (in Germany around 2%) of the waste we produce is classified as hazardous waste and as therefore needing to be treated with special care.

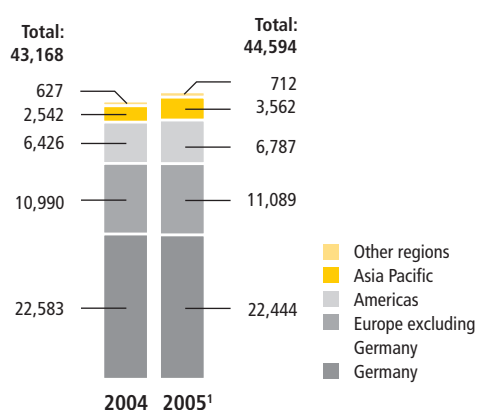
¹ Where we received no information about whether waste has been recycled or disposed of these amounts were included in the category "Disposed of".

Finance

External revenues by corporate division (DPWN) in € million



External revenues by region (DPWN) in € million



¹ Prior-period amounts restated as explained in the definition of Other/consolidation in our Annual Report 2005.

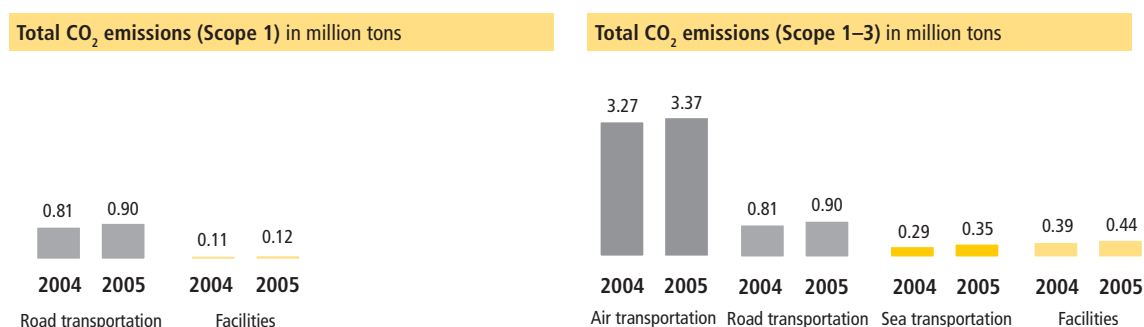
Exel

The following data pertain to the former Exel and cover the calendar years 2004 and 2005. The 2004 data reported here are not directly comparable with those published in Exel's 2004 Environmental Report as these include the former Tibett and Britten Group (TBG) and exclude Cory Environmental. TBG was acquired by Exel plc in August 2004 and was not included in Exel's 2004 Environmental Report. Furthermore, although TBG is now fully integrated into the former Exel, the 2004 data were collected using different protocols and processes and are thus not fully comparable with the 2005 data. Cory Environmental was sold by Exel in April 2005 and its road transport operations were included in Exel's 2004 Environmental Report. The data cover approximately 91% of the business of the former Exel, measured by sales, but a scale-up to 100% is not possible due to the different consumption and regional/national emission factors across different business units.

Key resource use ^{1,2}	2004	2005
Diesel fuel used (in million liters)	308	343
Electricity (in million kWh)	575	654
Natural gas (in million kWh)	323	309
Fuel oil (in million liters)	9	12
LPG (in million liters)	12	13

¹ Includes only resources where the former Exel had control/was the purchaser.

² Data not fully comparable year-on-year due to changes in gathering and varying coverage by region.



We report CO₂ emissions in accordance with the various Scopes defined in the Greenhouse Gas Protocol. Scope 1 includes only direct emissions. Scope 2 includes the indirect emissions due to electricity generated by others and consumed by the former Exel. Scope 3 includes other indirect emissions such as those emitted by our third party air and sea freight carriers. To calculate CO₂ emissions we use country specific generation factors, inputting zero when we use specific renewable sources.

Truck inventory ^{1,2}	2004	2005
Total	8,967	8,595
Lower emission vehicles ³	5,227	6,223
Alternative-fuel vehicles	10	—

Notes:

¹ Includes customer-owned, owner-driver and sub-contractor vehicles where Exel is involved with specification.

² Vehicles of 7.5 tons and above.

³ Vehicles with better emissions standards than local legal requirements (vary by country).

Waste and recycling inventory ^{1,2,3} in thousand tons	2004	2005
Paper and cardboard – recycled	76.2	101.6
Steel/metal – recycled	6.1	6.0
Plastic – recycled	6.0	10.8
Wood – recycled	11.6	14.4
Other disposal ⁴	141.4	148.0

Notes:

¹ Includes waste handled by the former Exel on behalf of customers.

² Table covers only major commodities.

³ Data not fully comparable year-on-year due to improved data gathering.

⁴ Other disposal is primarily landfill, but there will be further recycling at point of disposal.

Water use inventory ¹ in thousand m ³	2004	2005
Total	2,869	3,306
Asia Pacific	346	765
EMEA ²	812	588
Americas	1,710	1,953

Notes:

¹ Data not fully comparable year-on-year due to improved data gathering.

² Europe, Middle East and Africa.

Index

A

age diversity 14
AIESEC 9, 19
air fleet 28, 54
Aktion Mensch 38
alternative fuels 29, 30
apprentices 17, 21, 52
apprenticeship pact 17

B

biogas 27, 28
Brundtland Commission 7

C

capacity-building 47
carbon dioxide emissions 24, 28, 29, 31, 53, 56
carbon-offset funds 37
career 12, 20, 21
civil servants 21
Clearing Committee 5
climate change 24, 27, 29
Code of Conduct 4, 5, 14
collective wage agreement 17
community investment 8, 34
Competence Management/
Specialized Career Paths
program 20
compressed natural gas 25, 28
Corporate Values 4, 5, 34, 40, 44
Corporate Governance 6
corporate strategy 4, 45, 46, 47

D

data protection 18
delivery vans 28
delivery vehicles 25, 54, 56
DHL Cares Day Project 41
DHL environmental award 31
DHL Global Customer
Solutions 45
DHL Logistics
Management University 19
disability 13, 50
disaster
management 9, 34, 35, 36, 37

disaster
preparedness 7, 9, 34, 35, 36
disaster
response 7, 8, 9, 34, 35, 36
Disaster Response
Teams (DRTs) 7, 9, 35
diversity 12, 13
DPWN Forum 17
driver training 26
“Dynamik Vision” fund 31

E

economic value 47
Economical Driving 26
EEV emission standard 28
E-Fit 27
emissions 29, 30, 53, 54, 56
employees 49, 50
employee representatives 17
employee surveys 16, 17
entrepreneurs 7, 34, 40, 41
environmental
management system 26, 29
environmental policy 24
environmental program 40
environmentally friendly
products 30

F

fair trade 34, 40, 41
family service 13, 50
FIDEUS 25
Finance Award 39
First Choice 5, 8, 46, 47
Fit4Procurement 21
Forest Stewardship Council
(FSC) 30
fossil fuels 24, 37
FSC 30
FTSE4Good 44
future generations 7, 34, 37, 40

G

GBC 15, 38
gender 13, 49, 50
generic pharmaceuticals
factory 37
Global Values Office (GVO) 5
globalization 46, 47
Good Company ranking 14

Green Parcel 31, 37
green products 8, 24, 30, 31, 37
Green Tonnage 30
greenhouse gases 24, 26, 27, 30

H

health
management 12, 14, 15, 16
health awards 15, 16
HIV/AIDS 38
humanitarian relief 9
hybrid diesel-electric truck 28

I

ICAO 29
idea management 16, 51
Integrity Board 5
internships 19, 21
investment 44
ISO 9001 15

J

job applicants 20

K

Kompogas 27
Kyoto Protocol 3, 6, 30

L

Leipzig/Halle hub 17, 29

M

MBA students 19, 21
medical logistics 8
mentoring program 13
micro-entrepreneurs 34, 40, 41
Mitbestimmungsgesetz
(German Co-determination
Act) 6
motiv8 20, 21, 51

N

nationalities 13
natural resources 29
noise 24, 29

O

occupational safety	15, 16, 51
OCHA	9, 35, 36
Öko-Tex Standard	27
outsourcing	46, 47

P

PACKSTATION	31
Pandemic Preparedness Plan	15
paper	24, 26, 27, 30, 53
Parcel InterCity	25
particulate filters	28
partnerships	7, 9, 15, 19, 35, 36, 37, 38, 40, 41
PEFC	26
performance	8, 44, 55
personnel development	14, 18
PLUSBRIEF	30
post-disaster reconstruction	7, 9, 34, 37
Privacy Policy	18

R

recruitment	18
recycled paper	26, 30, 53
retention program	14
route planning	24, 25

S

solar power	31, 37
STAR	24, 44, 45, 46
sustainability strategy	44
Sustainability Work Program	8, 14, 30, 35, 44
sustainable products	30

T

Trucks and Child Safety program	40
TOTAL E-QUALITY	13

U

UN Global Compact	34
UN Millennium Development Goals	8, 34
UNDP	9, 35, 36
United Nations	7, 9, 35, 36

W

waste	55, 57
work-life-balance	13
World Economic Forum (WEF)	9

Y

Youth Exchange Program (YEP)	14
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Auditors' report to the Board

The Board of Management of Deutsche Post AG commissioned PricewaterhouseCoopers Aktiengesellschaft WPG to audit parts of the Corporate Sustainability Report 2006 of Deutsche Post World Net Group. The report covers the period from January 1, 2004, to December 31, 2005, and was prepared guided by the reporting guidelines issued by the Global Reporting Initiative.

The responsibility for proper sustainability management at the various levels of the Group and for the correct preparation of the sustainability report lies solely with the Board of Management of Deutsche Post AG.

We conducted our audit in accordance with "Principles for the Proper Execution of Sustainability Report Audits" (IDW EPS 821), the auditing standard of the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer in Deutschland e.V.). Moreover, we referred to Part D Annex 4: Credibility and Assurance of the guidelines of the Global Reporting Initiative.

IDW EPS 821 requires that the audit is planned and executed such that a confident judgement can be made on whether the data in the report are essentially complete, appropriate and correct, as well as clear and comprehensible. Within the scope of the audit, the effectiveness of the underlying information systems as well as the evidence supporting the data published in the report are primarily evaluated on a spot-check basis. We believe that our audit provides a reasonably sound foundation for our opinion.

The agreed scope of our audit contained the following two chapters of the report:

- Strategy and guidelines (pages 4–9)
- Facts & Figures (pages 48–55, accordingly excluding the data of Exel)

In the "Strategy and guidelines" chapter we verified whether the targets and programs mentioned are proven by planning and activities already undertaken. Furthermore, we audited whether these programs are monitored in a proper way.

The targets and programs described in the "Strategy and guidelines" chapter are proven and supported by already undertaken or planning of future activities. Furthermore, our audit showed that these programs are monitored in a proper way.

The data presented in the "Facts & Figures" chapter was collected by the operating units in a proper and provable way. Furthermore, in our opinion the data presented is accurate, material and complete.

During our audit, we did not become aware of any objectionable circumstances or facts. In all essential matters the information audited is in compliance with our auditing standards in terms of accuracy, materiality and completeness.

During the reporting period Deutsche Post AG integrated the concept of sustainability into its corporate strategy. Programs and management structures have been established to enable a continuous development of the sustainability performance of Deutsche Post World Net Group.

To facilitate the monitoring of these programs but also to simplify the consolidation of data for future reports we recommend the development of a set of rules for internal reporting.

Frankfurt am Main, June 9, 2006

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This Sustainability Report is available in German and English and can be downloaded from our website.

www.dpwn.com



Publishing Information

Publisher

Deutsche Post AG
Headquarters
Corporate Public Policy and Sustainability
53250 Bonn
Germany

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SustainabilityReport@deutschepost.de

Responsible for content

Walter Scheurle, Dr. Monika Wulf-Mathies

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Sabine Heidorn, Christiane Jarsing, Andreas Schäfer,
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Concept, Text and Layout

Kirchhoff Consult AG, Hamburg, Germany

Photography

Peter Ginter
Deutsche Post World Net image database

Printed by

Heining & Müller GmbH, Mülheim/Ruhr, Germany


Paper

100 percent recycled paper (Recymago plus)

Mat. No. 675-601-061

This report is also available in a German edition and in a web-based digital edition.

Further information

The  symbol indicates that further information on a particular topic can be found on our sustainability webpages. Our sustainability webpages can be found at:

www.dpwn.com/SustainabilityReport/2006

Updates and supplementary information can also be found on our website at:

www.dpwn.com

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